AGRICULTURAL RELIEF

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BEFORE

THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

FIRST SESSION

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COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS, FIRST SESSION

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AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Thursday, April 4, 1929.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Mr. Taber, we will be glad to hear you now.

STATEMENT OF L. J. TABER, COLUMBUS, OHIO, MASTER THE NATIONAL GRANGE

Mr. TABER. Chairman Haugen and members of the committee, I shall not take up much of your time this morning in any general discussion or consideration of the problem. I want to come at once to the program of the National Grange, and as its spokesman and representative, I desire to put into the record the following report of the joint committee on legislation and agriculture of the National Grange, dated November 23, 1928:

REPORT OF JOINT COMMITTEES ON LEGISLATION AND AGRICULTURE, THE NATIONAL GRANGE, WASHINGTON, D. C., NOVEMBER 23, 1928

NATIONAL AGRICULTURAL POLICY

The farm depression continues. It continues despite improvement in some farm commodity prices. It extends to all parts of the country. The National Grange recognizes the need for prompt action by the Congress.

No single remedy can be found for the farm problem. Remedies tend in two directions: Reduction in costs, and increase in prices paid producers. The farmer has increased his efficiency in a measure comparable with that manifested in other lines of industry. Such costs as taxes, freight, and labor are beyond his control.

The best results of experience, both in this country and elsewhere, should be used in perfecting a national policy to deal adequately with all problems of national scope, especially the handling of surpluses, in a manner to guarantee equality for agriculture among the various industries of the Nation.

Four essentials to the success of Federal activity in this field are:

First, a system of cooperative marketing to eliminate waste in distribution under the guidance of a Federal farm board. This alone, however, is utterly inadequate to solve the problem.

Second, a flexible system of export debentures to enable products having exportable surpluses to receive tariff benefits.

Third, a more extended and effective application of the tariff system to agricultural products in order to hold the American market as completely as possible for American producers.

Fourth, a land policy designed to avoid uneconomic agricultural expansion.

COOPERATIVE MARKETING AND FARM BOARD

Much of the cost in the distribution of farm products can be eliminated by means of a comprehensive system of cooperative marketing and other stabilizing agencies. Such a system can be greatly aided by a Federal farm board,

composed of competent men, maintaining the confidence of producers regardless of political temptation and pressure, and utilizing the services of established branches of Government in formulating its own executive program, its recommendations to producers and to the Congress. The National Grange will withhold its approval of any farm board given inadequate functions or lacking in sympathetic understanding of the needs of agriculture.

EXPORT DEBENTURES

Any attempt to develop a system of cooperative marketing without adequate provision to care for climatic and other surpluses would be futile. The Government of the United States should be prepared to use any effective measures which can help to bring American farming to economic parity.

It has been shown in the experience of several countries that systems of export premiums can enable surpluses to be exported without depressing the prices of those products of which a part must seek foreign markets. American producers of farm products who are unable to secure the benefits of the protective tariff because they export a portion of their products should be permitted to secure equivalent benefits by means of export debentures.

The export debenture is a necessary complement of the tariff structure, and without it, many of the major branches of agriculture can not attain their rightful economic position under our protective system. Under the export debenture plan, it is unnecessary for the Congress to delegate the determination of the degree of protection to be afforded agriculture, but may retain to itself the same degree of control as it now exercises in the case of import duties.

Farm relief through export debentures (or tariff credits) depends neither upon appropriations nor upon special taxes. By the debenture method farm relief can be furthered with administrative simplicity, directness, and economy of operation. Without impairing established duties, and without special advantage or disadvantage to any importing agency, export debentures would make our protective system effective on those products which have exportable surpluses.

TARIFF

Under the present tariff law the United States exported in 1927 agricultural products amounting to nearly $2,000,000,000, and imported agricultural products to an amount almost exactly the same. In the same year we imported agricultural products duty free amounting to nearly $1,220,000,000, of which approximately $800,000,000 can be grown in this country, and nearly $650,000,000 of dutiable agricultural products, practically all of which can be grown here. With nearly one and one-half billion dollars' worth of agricultural products coming into our country yearly in competition with domestic production, it becomes apparent that there is need for higher and wider protection in the interest of American agriculture. Not only must there be coordination of tariff and debenture rates in order to give the latter scope and certainty of operation, but there must be tariff protection on additional farm products and at higher rates than are now in effect.

LAND POLICY

In formulating a land policy under existing conditions, the outstanding principle should be that, consistent with obligations aleady incurred, the Federal and State governments should not use public funds to bring new land into productive competition. The agricultural depression and its attendant problems of surplus are sufficient reasons for deferring development of any further Federal or State projects for colonization or reclamation by irrigation or drainage until there is need for greater production and until agriculture is on an economic parity with other industries.

Our land policy should save us from further misdirection of the energies of our people into attempts to use for farming those types of land unsuited to agricultural uses. A forward-looking forest policy, properly adapted to prospective timber needs, should be promptly put into effect.

RESOLUTION ON NATIONAL AGRICULTURAL POLICY

Therefore be it resolved, That the National Grange recommends as sound national policy four essentials: First, tariff schedules should be revised in

order to give American farmers full benefit of the American market for all agricultural products produced in this country, and for all articles manufactured from such products.

Second, the export debenture plan is the most efficient and effective means of bringing an end to the depression in the price of products having exportable surpluses.

Third a national land policy meeting present conditions requires a cessation of expenditures of public funds in bringing new land into cultivation.

Fourth, a competent board given adequate power, sufficient funds, and suitable functions should be created to promote cooperative marketing and to aid in protecting the interest of farmers in the development of these policies.

(Adopted.)

Imports for consumption into the United States of dutiable agricultural products, calendar year 1927—Supplemental report of special committee on national agricultural policy

Products	Value of dutiable imports for consumption	Collected duties	Equivalent ad valorem
Total dutiable merchandise imported for consumption	$1,483,030,851	$574,838,522	38.76
Total dutiable agricultural products	649,689,877	264,958,477	40.78
(The duties collected on agricultural products constituted 46.09 per cent of the total duties collected.)			
Animals and animal products	157,762,461	47,196,444	29.92
Live animals	22,165,643	4,523,023	20.41
Dairy products	36,978,435	8,782,556	23.75
Eggs and egg products	5,244,075	1,792,609	34.18
Meats	19,090,451	3,279,198	17.18
Animal oils and fats, edible	1,180,689	93,436	7.91
Animal oils, fats, and greases, inedible	5,841,234	839,416	14.37
Wool and mohair, unmanufactured	52,558,688	25,881,129	49.24
Carpet wool	2,741,442	898,252	32.77
Clothing wool	6,917,069	3,284,149	47.48
Combing wool	40,839,349	20,538,427	50.29
Mohair, cashmere, alpaca, etc	2,060,828	1,160,302	56.30
Miscellaneous animal products edible	14,703,246	2,005,077	13.64
Bristles, sorted, bunched or prepared	6,756,545	352,226	5.21
Casein and lacterine	3,117,199	606,501	19.46
Feathers, crude	1,838,835	367,767	20.00
Vegetable food products and beverages	353,770,238	165,559,488	46.80
Vegetables and preparations	32,130,232	9,020,156	28.07
Potatoes, white or Irish	5,187,623	1,521,424	29.33
Tomatoes, natural state	4,542,894	643,798	14.17
Tomatoes canned	5,202,036	780,245	15.00
Onions	2,661,981	1,205,852	45.30
Fruits and preparations	20,306,961	5,891,152	28.03
Nuts	26,093,821	8,508,436	32.61
Grains and preparations	6,867,374	1,719,734	25.04
Corn	3,906,699	737,492	18.88
Wheat	27,443	8,946	32.60
Cleaned or milled rice	1,176,784	524,077	44.53
Fodders and feeds, n. e. s	8,121,145	1,119,408	13.78
Bran, shorts, and other by-products	5,104,653	382,849	7.50
Hay	1,106,810	460,100	41.49
Beet pulp dried	643,957	111,935	17.38
Vegetable oils and fats, edible	16,713,675	5,106,950	30.56
Sugar and related products	222,064,301	131,007,420	59.00
Cane sugar	210,677,206	130,043,897	61.73
Spices	18,605,574	2,650,050	14.24
Cocoa and chocolate	1,510,181	270,745	17.93
Beverages	1,356,974	465,439	34.30

I am simply going to show, Mr. Chairman and gentlemen, that the program of the National Grange indicates four or five definite points, three of which address themselves to the short session of Congress, one of which addresses itself to a long-time congressional program, and one point in our program addresses itself to the farmers themselves.

First, we believe in tariff adjustment; second, we believe in the creation of a Federal farm board; third, we believe in the export debenture idea, or the drawback idea, to bring the tariff benefits to

those commodities of which there is an exportable surplus; fourth, we believe in a sound land policy and a sound waterway policy; and, fifth, we believe in organization, education, and cooperation.

I feel that it is entirely proper to commence the consideration of our program by giving some thought to the first step, which does not address itself to this committee, and I refer to it only incidentally because you have all given so much thought and consideration to the necessity of tariff adjustments to protect agriculture.

The farmer is receiving an average ad valorem tariff of 22 per cent, and taking the 13 protected schedules the average ad valorem duty is 42.6 per cent. Schedule 7 gives us 22 per cent protection, and there are on the free list a large number of articles that ought now to be protected.

I will say at the outset, we are importing our surplus. That is an old statement, and I think it is one to which most everybody agrees.

Conservative journals like the old Farm Journal indicate an agricultural import of $3,300,000,000, but to my mind that is too liberal. When we eliminate rubber, silk, and those commodities I bring that amount down to about $1,900,000,000, and out of that there is not more than $1,200,000,000 that are really competitive; that is, directly competitive, because of our ability to produce them at home.

I stated before the Ways and Means Committee that we imported last year the product of 500,000 average farms in the United States; that could under most favorable conditions be produced at home.

I am mentioning the tariff matter here, for the reason that this Committee on Agriculture and its statemanship will have a far-reaching influence on the consideration of the problem in the House.

Passing now to the second step, the creation of a Federal farm board, that seems to be a conclusion upon which most of us are agreed. That board should have substantial power. It should be clothed with sufficient machinery to render the right type of service to agriculture in marketing, in distribution, and probably in stabilization and similar activities.

Passing then to the third step, that I spent a day before this committee on a year ago, namely, the export debenture idea, I am not concerned about names. I do not care whether you call it a drawback; I do not care whether you call it remitting tariff duties; I do not care what term is used. We are concerned that you do for agriculture that which in fairness seems to be indicated should be done; that is, to give to the farmer equivalent machinery that those in other walks of life enjoy.

I think I gave you the figures a year ago showing that under the drawback provisions of the tariff we remitted in the last 10 years an amount varying from $14,000,000 to $39,000,000, and that we have remitted tariff duties to the amount of $425,000,000.

This part I address directly to this committee. Turning then to the fourth step that we think essential, namely, a sound-land policy and a policy that considers the recreational and the conservational use of land, this is a long-time policy that requires years of congressional attention and administrative consideration.

And unless we have it as a part of our program to increase the recreational, the playground use of land, putting millions of acres of submarginal land back into forestry, to grow a timber supply for the generations yet unborn, we have not a sound-land policy.

We believe the Great Lakes should be brought in direct contact with the sea, and that our inland waterways should be developed. Again, this is a long-time policy.

Some people say, bring the farmer relief by the improvement of inland waterways. There will be too many foreclosures while we build either the St. Laurence route or the all-American route. It will come in time, but it is far away.

The last step rests entirely upon the farmers themselves. We need to strengthen the Grange, the Farm Bureau and the Farmers' Union. We need additional cooperatives. The farmers must produce more thoroughly and more economically. We must utilize all the agencies of cooperative marketing more fully.

So, Mr. Chairman, that is, briefly, the five-point program that we believe is essential to any sound farm relief program that we can adopt. This committee can naturally give to these problems thought and consideration that will have a far-reaching influence.

Should this short session of Congress adjourn without handling three of these problems, it will fail to redeem its direct promises to the American people.

We have full sympathy with the acceptance speech of President Hoover; we have full sympathy with his St. Louis statement, and we have hearty accord with his declaration that Congress should be called in special session, and we desire to support whole-heartedly and full any program that the President may bring forward; but we must insist, speaking for 800,000 members, and speaking for agriculture, that the program must be one reaching the heart of the problem, and it must have in it the machinery to lift the purchasing power of the farmer, and give to agriculture the assurance of that standard of living to which American agriculture is entitled.

With that, Mr. Chairman, I have said all I care to say except that I want to come back briefly and discuss one or two phases in the operation of the Federal farm board that is to be created.

We believe that there are certain broad powers that should be given such a board. We also believe there are certain limitations that should be placed upon it.

We believe that if the Federal farm board takes Federal money and uses it in a program of organization it will be of more detriment than benefit to agriculture.

We believe that the farmer himself must develop his agencies, and when these agencies have been developed and created they then should come to the Federal farm board to receive the assistance to which they are entitled, and the farm board should work through established agencies that are farmer owned and farmer controlled, which have their foundation in the grass roots of American agriculture.

Then we feel that there should be a revolving fund of sufficient size to be of service. But we believe if this farm board has nothing more than a revolving fund with which to work, if it does not have proper powers and some machinery to deal with the export branches of agriculture, we are going to find this legislation failing in the purposes for which it was created, and it will become entirely unsatisfactory, both from an economic, a social, and a political point of view. We insist, in all earnestness, that to reach the situation we

must make an earnest effort to find an approach to the very heart of the problem.

As I indicated at the beginning, Mr. Chairman, if we can secure from this short session of Congress a tariff act giving agriculture equivalent protection with industry—in other words, lifting schedule 7 to 42 per cent—some have said we should pull the other schedules down to 22 per cent; but there is no use in discussing the impossible. So we say, lift agriculture.

Then, if you put $500,000,000 worth of agricultural products now coming in free under a protected list we will divert much of this $800,000,000 to $1,200,000,000, according to the basis of calculation—we will divert much of that and withdraw much of the pressure from the surplus. But the beauty about our export debenture program, or, if you prefer to have it, the drawback tariff program, is its self-elimination. As our exportable surpluses decline, the use of the debenture naturally eliminates itself. And the further beauty of it is its flexibility. I stated two years ago that the debenture plan is flexible in two ways: It is flexible because we bring it under the flexible provisions of the tariff act, and it is flexible because, as production increases, the amount of the debentures automatically decreases. So, whether you incorporate the drawback provision in your legislation, or whatever you may incorporate, our concern is that the principle of equality in tariff protection be maintained.

As I said before, we repeat, that we have no sympathy with any program that suggests that the American farmer should cease to produce a surplus. Such a program is dangerous to the consumer and dangerous to our own economic stability. The American consumer's greatest protection for food to-morrow is that the farmer is producing a surplus against a rainy day or a crop failure. We insist that the city consumer of America is interested primarily in three things: First, in an abundant food supply, and the American farmer has and will produce it; second, a reasonable profit for that food supply to the American farmer, and the American farmer has received the most reasonable profit for the food supply of any farmer in the world; lastly, he is concerned in a domestically produced food supply. There are those who challenge the last statement, but I remind them of what happened during the war, when the Cuban exports were shut off and sugar skyrocketed to such a price that we paid during the war an extra amount sufficient to have paid for a tariff that would have maintained home production.

I call your attention to the foot-and-mouth disease in Argentina and other countries, which makes an embargo necessary. We dare not be dependent upon foreign production for our meat supply.

The consumer's greatest protection, is the efficiency, the productive ability, and the competitive ability of the American farmer. We can produce on the farms sufficient food, not only to take care of our present population, but to take care of a quarter or a half a billion people. Consequently, we feel, and our organization is in thorough accord in this conclusion, that we are not concerned so much in one single piece of legislation as we are concerned in a broad, proper, and definite policy.

That, Mr. Chairman, is all the statement I care to make unless there are some questions.

Mr. PURNELL. Mr. Taber, you feel, I take it, that if nothing else is accomplished other than the creation of a Federal farm board, the establishment of a sort of clearing house in Washington through which the producers of the country may have representation and opportunity to be heard, that we will have at least strengthened the morale of the producers of the country?

Mr. TABER. We will strengthen their morals, and it will probably be worth while, but that will not reach the heart of the problem.

Mr. PURNELL. I wondered if you care to enlarge further upon your statement that what is done must actually reach the heart of the problem. I am not sure that I saw in that a suggestion from you as to what actually ought to be done.

Mr. TABER. The actual heart of the problem, we would insist, would be three essential steps: First, equality of protection; second, the creation of a Federal farm board with pretty broad powers; and, third, the creation of some agency that will bring to the exportable branches of our agricultural industry the benefits to which they are entitled. Unless you do that you will not have solved the heart of the problem.

Mr. PURNELL. No one knows better than you do that the first requisite you suggest must be brought out, or at least started, in another committee.

Mr. TABER. We recognize that; but we do feel that this committee will give wise statesmanship and counsel both on the floor and in other ways.

Mr. ASWELL. Mr. Taber, in case a majority of this committee, the majority actually agreeing, should report a bill that does not include any part of your debenture plan, and then that bill should receive the indorsement of the President, would you go along and support it?

Mr. TABER. I would support it now. We will be sorry you have not seen the light, but we will be trankful for the progress made.

Mr. ASWELL. My point is this: You will go along and support the bill regardless of whether it includes just your own ideas or not?

Mr. TABER. Certainly.

Mr. ASWELL. You said awhile ago that you heartily support the President in his plan, but you modified that slightly by saying you had certain things in mind. I wondered how far you would go.

Mr. TABER. I was just trying to answer that question. I have the most profound admiration for the mental equipment and the far-seeing wisdom of the present Chief Executive of the Republic. But we insist, and our organization does believe, that regardless of what this committee may say or what the Chief Executive may say, that there are certain definite steps that are necessary to give agriculture complete equality. We are going to continue to fight for complete equality, but we will accept partial equality, if we are compelled to.

Mr. ASWELL. You will go along?

Mr. TABER. We will go right along; I think you know that. We are not obstructionists. But we are fighting for a principle, we are going to continue to fight for it. We hope you will give it to us in this short session of Congress. But there will be other sessions coming, if we do not win this time.

Mr. ASWELL. A lot of people use the word "equality," but I have not found anybody yet who knows just what he is talking about. I wish you would take an hour some day to tell me.

Mr. TABER. I think I can tell you in less than an hour.

Mr. KINCHELOE. You said, Mr. Taber, that if we do not put the debenture plan in the bill which is going to be passed, you would go right along. Would you say that about any old bill we might pass and which might be signed by the President?

Mr. TABER. I have so much faith in your judgment that when I said that——

Mr. KINCHELOE (interposing). I can not understand how you can intelligently say you will go along unless you have a pretty good idea as to what kind of a bill Congress is going to pass.

Mr. TABER. If you have been watching Congress for seven or eight years you would know about what it is going to do.

Mr. KINCHELOE. I think I know what it is going to do, and I think I know, and you do, too, that it is not going to have in it any semblance of the debenture idea. Do you not think so?

Mr. TABER. I do not think so.

Mr. KINCHELOE. You think there is going to be something like that in it?

Mr. TABER. I do not know whether it is going to be a debenture plan——

Mr. KINCHELOE (interposing). I am talking about your export debenture plan which you have been advocating and which Mr. Jones is advocating and Mr. Ketcham is advocating—and I will say if I had an opportunity I would vote for it myself, if it was before Congress. But I am not fooling myself, and I do not think you are fooling yourself or your organization about that matter.

Mr. TABER. I am not fooling anybody; I am an optimist.

Mr. KINCHELOE. You must be. You are not only an optimist, but you are one of the most credulous fellows I know of, if you think a debenture plan is going to be in this program.

Mr. TABER. Either it or its equivalent is going to be there.

Mr. KINCHELOE. What is its equivalent?

Mr. TABER. Something that will do what we want done.

Mr. KINCHELOE. What is that?

Mr. TABER. Lift the prices of the exportable surplus.

Mr. KINCHELOE. You said there are a lot of articles on the free list that ought to have a tariff on them. Have you in mind what they are; that is, the principal ones?

Mr. TABER. There are a large number of vegetable oils that ought to have protection. There are a large number of articles like hides, copra, and a number of fruits.

Mr. KINCHELOE. Do you not run up against this, Mr. Taber? I grant you that a tariff on agricultural articles of which we do not produce a surplus can be made effective; but I do know that there are swarms of people at the doors of the Committee on Ways and Means representing the manufacturers of this country who want the tariff on their products increased, but at the same time they do not want any tariff put on the raw products that they consume.

Do you think it would help the farmers any if you put a tariff on his agricultural products, if you at the same time increased the tariff on the manufactured products he has to buy? Would he not be meeting himself coming back, economically?

Mr. TABER. There would be no improvement unless we change that disparity of 42.6 per cent on 13 schedules of the tariff act and 22.42 per cent on Schedule 7, the agricultural schedule.

Mr. KINCHELOE. An increase on manufactured products, instead of changing that, would add insult to injury, would it not, if they should do that?

Mr. TABER. They will not do that; they will not dare to do that.

Mr. KINCHELOE. You know a great deal more about it than I do, if you say they are not going to do it. I hope you are right.

You have not changed your position on the debenture plan?

Mr. TABER. We stand where we stood before; we want the principle carried out.

Mr. KINCHELOE. Mr. Chester Gray, representing the American Farm Bureau, testified the other day, and he said he had not and his organization had not changed their position on the equalization fee, and would not change it unless we showed something else better.

When you were here before, I asked you what the reason was that these great farm organizations, yours and the Farm Bureau and the Farmers' Union, did not get together, and you told me finally that you thought it was due to two things, selfishness and politics. Are you still of that opinion?

Mr. TABER. There is not as much politics as there was a while ago.

Mr. KINCHELOE. I am glad to hear that. I certainly hope, for the benefit of the individual farmer, that you fellows will get a lot of this politics out of your systems.

You also said when you were here the last time that you had prayed for all of you to get together. I was wondering if you had continued praying, or had done a little more active work to see if you could get these organizations together.

Mr. TABER. I am going to tell you something I did not intend to tell anybody. The prayers of the righteous are answered.

Mr. KINCHELOE. Yes, and the prayers of the wicked availeth nothing too.

Mr. TABER. We are going to sit down at luncheon together to-day.

Mr. KINCHELOE. I hope, if you are fraternizing enough to sit down at the same table, you will find something to agree on, even if you have to have something good to eat to attract you.

Do you think there is any chance for you gentlemen between now and the time these hearings close, or when this committee gets through with this bill, to get together and agree among yourselves so that you can present some constructive bill for the relief of the farmer upon which all three of your organizations have agreed?

Mr. TABER. I have not the slightest doubt that organized agriculture will speak with absolute unity at this session of Congress. We did before the Ways and Means Committee and we will before this committee.

Mr. KINCHELOE. I hope you will.

Mr. TABER. We will.

Mr. KINCHELOE. I am talking about you leaders, who claim to represent the individual farmer—and I do not say it offensively—but I have in mind the interests of the individual farmer, who does not

know much of what is going on here. These organizations have never been together on any proposition up until now.

Mr. TABER. That is not correct, my dear friend. Neither the National Grange, the Farmers' Union, nor the Federation have differed before this Congress in principle on any problem save two. We have agreed on hundreds of problems.

Mr. KINCHELOE. Of course, you might agree on hundreds of little minor propositions, but I am talking about fundamentals. You have disagreed since I have been a member of this committee.

Mr. TABER. We have never disagreed on fundamentals. We have disagreed on methods. There has never been a time when the Farm Bureau, the Farmers' Union, and the Grange did not agree that the thing that ought to be done was to bring the tariff benefits to the export branches of our agricultural industry.

Mr. KINCHELOE. I understand that; but you consider the export debenture proposition as fundamental, do you not?

Mr. TABER. Not the proposition, but the principle.

Mr. KINCHELOE. Do you not think it is fundamental in solving the agricultural problems of the country?

Mr. TABER. It is so much simpler——

Mr. KINCHELOE (interposing). You can answer that question by yes or no. Do you regard that as fundamental?

The Farm Bureau has considered the equalization fee fundamental and I have thought all the time that you, as the head of the Grange, certainly considered the debenture plan as absolutely fundamental. I thought that you had been differing on those propositions all the time, but I am certainly glad to know that you gentlemen are getting close enough together to sit down to a good meal together, and I certainly hope it will lead to something better for the individual farmer.

Mr. TABER. Thank you, Brother Kincheloe. The Grange has fought for the farmer for 62 years.

Mr. JONES. Mr. Taber, if I understood you correctly, you made the statement that we now are remitting something like $425,000,000 of tariff dues.

Mr. TABER. We have remitted in the last 19 years $425,000,000 on Cuban sugar alone, and we remitted last year a little over $40,000,000 on Cuban sugar alone. We give out in drawbacks something like $15,000,000, not counting milling in bond.

Mr. JONES. The principle of drawback on all those things is exactly the same, in effect, as that of an export debenture, or premium on a surplus, is it not?

Mr. TABER. It is exactly the same thing in principle. It is just as sound, and it has been tested out as to its constitutionality and its workability.

Mr. JONES. Reference has been made to hides, and we have been getting a lot of propaganda from the National Boot and Shoe Manufacturers Association, asking for a 25 or 35 per cent tariff on boots and shoes, and asking for free hides. Do you believe that that is a fair program?

Mr. TABER. That is not fair. If there is a tariff on leather and manufactures of leather, there should also be a tariff on hides.

Mr. JONES. Without taking up any further time, let me say this: Your organization I do not think has a member in my district, and, perhaps, not in my State, but I indorse your program.

Mr. TABER. That is kind of you, Brother Jones.

Mr. KETCHAM. Referring to the proposed Federal farm board set-up, have you given any thought to the question of whether or not that board ought to be in the Department of Agriculture, or be an independent board, so far as those six members are concerned, with the Secretary of Agriculture as an ex officio member?

Mr. TABER. It depends somewhat on the organization. If it were not an independent board, like the Federal Farm Loan Board, it might be indirectly classed as a bureau in the Department of Agriculture. I think there would be some objection to losing the board as just another bureau in the department.

Mr. KETCHAM. Of course, you appreciate the fact that in the very nature of this set-up, the farm board having to do with the agricultural interests, both on the production side and on the marketing side, and with the Department of Agriculture as now set up going into the very same problems, that unless there is a very close relationship between them, there would certainly be some embarrassment arising.

Mr. TABER. There must be a close relationship. The Secretary of Agriculture should, of necessity, be an ex officio member of the board. However, the board ought not to be concerned with the technical or administrative affairs of the department in any way.

Mr. KETCHAM. Going back to your threefold program, as I understand it, you mentioned, first, equality of tariff.

Mr. TABER. Yes; because if we do not start on that foundation, the result can not be attained.

Mr. KETCHAM. And your second proposal——

Mr. TABER (interposing). The creation of a Federal farm board.

Mr. KETCHAM. You would have, of course, some form of board, with the power to care for the so-called surplus.

Mr. TABER. Yes, sir.

Mr. KETCHAM. Several have appeared before our committee, insisting that if the first thing you suggest is done in any sort of adequate manner, it will relieve us of any difficulty in connection with Number Three.

Mr. TABER. It will not altogether relieve us, because we have certain products like wheat and cotton which, to my mind, it would be a crime to reduce to an import basis.

Mr. KETCHAM. Their argument was not that any compulsion should be applied, but that from the natural results of balancing the program of agriculture the thing desired would be accomplished. If that were done, and if that were a natural development in our agriculture as a result of it, would you see any objection to it?

Mr. TABER. It would be the most happy solution that we could expect, but I still think there would be difficulty with certain branches of agriculture. As has been indicated, if $800,000,000 worth of imported products are grown at home, the pressure would be reduced to that extent. We favor, for instance, doubling the tariff on flax, which would put wheat lands in the Dakotas in flax, thereby reduc-

ing the pressure on wheat. However, that would not altogether cure it. It is my opinion that a sound tariff policy applied to agriculture would, instead of taking $146,000,000 to finance the debenture program, as it took in a 5-year average, or $147,200,000 last year—we figured that yesterday for 1928, and find that it would take $1,000,000 more last year than it did the year before—instead of that, with a sound agricultural tariff behind us, we would reduce that to not exceeding $50,000,000.

Mr. KETCHAM. With the set-up that is contemplated here, and with the tariff adjusted as you say it should be, you would not feel badly if there should be no real use made of the proposed drawback debenture feature?

Mr. TABER. Certainly not, because we would have all that we wanted, and if it were not needed——

Mr. KETCHAM (interposing). That is as far as I want you to go there. Now, if that were true, and there is a possibility that it might be true, is it not worthy a whole-hearted experiment and trial?

Mr. TABER. Certainly; a man who gets two-thirds of his program is happier than if he does not get any of it.

Mr. KETCHAM. I says that, because I heartily agree with you, that if any machinery it set up for the disposition of the surplus, then the export debenture plan, with some increased penalty plan, should be provided, but I wanted to call your attention to the other side of it.

Mr. TABER. Let me make this suggestion, that all that is needed is to give the Federal farm board power so that, after the revolving fund and after the other machinery have failed, they may utilize that same principle. I do not care what you call it, a tariff, a drawback, or export debenture. I do not care by what name you call it, but you should give the board power to utilize it. Then, if they never need to use it, we will all be happy.

Mr. HALL. Mr. Taber, I was very much interested in your opening statement, and am pleased to know that you are not in favor of making loans by the Government for organization purposes out among the farmers. Now, I would like to have you go back to the other end of the problem and tell us whether, or not, you think that the dealings of the Federal farm board, with the machinery created and set-up in between there, should be confined wholly to the cooperatives?

Mr. TABER. There are cases where, possibly, it would be wise to give the board the right to deal with some other agency. Ordinarily, it should be confined, perhaps, entirely to the cooperatives, but there might be emergencies where they would have to use other agencies.

Mr. HALL. There are many organizations of farmers that are not cooperatives. They should be assisted, too?

Mr. TABER. We have a number of farmer-owned elevators that are not purely cooperatives. We have a number of farm organizations that would not come fully under the interpretation of the Capper-Volstead act, but with which the board should deal.

Mr. HALL. We have in North Dakota what is known as the North Dakota Grain Growers' Association, which was promoted out there. They handle only about 2,000,000 bushels of wheat. Now, you do not suppose that the farmers over in North Dakota, or the people engaged in the wheat business there, would like to have the dealings with the board wholly confined to such organizations as that.

Mr. TABER. In giving the board broad powers there would have to be some latitude permitted the board in dealing with other agencies than strictly cooperative agencies, although we would hope in time to have the dealings so that they would be confined to the cooperative agencies. That brings me to a thought that I want to emphasize, and that is that the ultimate solution of the agricultural problem will never be found in large unit farming or in corporation agriculture. To my mind, the thing that challenges the very independence and life of the Republic, more than any other thing, is the notion constantly gaining in certain quarters that the solution of the agricultural problem can be found in corporation agriculture and in large unit agriculture, backed by hired managerial ability and great financial resources, utilized in that field of production. That would destroy the initiative and the independence of agriculture, something that lies at the very foundation of our national life. We can get the same advantages through cooperation. We can through cooperatives acquire the advantage of large unit purchasing power, and we can bring to bear experience and managerial ability on the problem. We can by those means bring in large financial resources. All of those objects may be obtained through cooperative agencies and still leave the independent farmer upon his own farm. Any legislation that this committee devises should have that as its goal, and there should be no legislative encouragement to large land-holding agriculture, because then you will be going back to that from which agriculture has come.

Mr. LARSEN. Mr. Taber, Mr. Kincheloe suggested, I believe, that you incorporate in the record some data, or, at least, he asked you as to certain commodities that are now on the free list. I would also appreciate it if you would furnish information regarding some of those matters for the record. I ask that because I think it would be helpful not only to myself but to other Members of the House. I come from a section that grows tobacco—leaf tobacco for cigars and tobacco for cigarettes. We are able to obtain insurance against hail storms in the growth of this tobacco, and we find it beneficial. It has been stated by many appearing before the committee—and I may say by the gentleman from Kentucky on the committee (Mr. Kincheloe)—that it is almost impossible to get men into the cooperative associations unless you pay them approximately the full price of their products when they turn them over to the cooperative association for marketing. I think that is also true in my section. We produce a good deal of cotton, and many of those who produce it there are just about one jump ahead of the sheriff. The sheriff is catching a good many of them.

Now, they go to the cooperative associations and are able to get, say, a 75 per cent loan on their cotton. The man who puts in 10 bales of cotton, worth $100 per bale, would get $750, but he must have $1,000 in order to keep ahead of the sheriff, or to keep the sheriff from taking the cotton away from him. Has your organization, or you, individually, given any thought or consideration to the proposition of insuring that, say 25 per cent margin, which the producer must carry and do you think it would be possible or feasible for the Government to work out any insurance plan, whereby the producer of a staple farm commodity could have the benefit of such

insurance, or for the cooperative assocation handling such commodities, when stored in a Government warehouse or a Government licensed warehouse to obtain such insurance? Could not some plan be devised whereby an insurance policy might be issued against a decline in the price of that article to protect the 25 per cent margin which the producer must carry, and permit him to obtain 98 per cent, or something like that? In other words, where a man draws 75 per cent of his cotton's value, let him take a receipt, and then let a Government agency protect him against loss on the remaining 25 per cent. If that could be done it would enable a man to leave his cotton with the cooperative association and get practically 100 per cent of its value, whereas if he gets only 75 per cent of its value, he is unable to go into the cooperative association, or is unwilling to do so. Such a plan would aid the producer and the cooperative.

Mr. TABER. Your question, I take it, is relative to a type of insurance against price decline. We have given that some consideration, but we have never taken any definite action on it. We have a number of State granges that are providing storm and hail insurance, and crop insurance for members, but we have never at any time attempted price insurance. Of course, it has its value, and the farm board might be able to correct that condition by giving a loan under certain conditions up to within 15 per cent of the value of the product.

Mr. LARSEN. It appears to me that it might be a very desirable thing to do, and that a clause covering that might be incorporated in the proposed legislation allowing the farm board to work out a scheme of insurance. It could undoubtedly be done by the Government actuaries. The board could be given power to decide whether or not it would be possible or profitable to do that. It occurs to me that if it could be done there would be no difficulty in getting men to join the cooperative association, whereas, in a good many cases, especially in my section, the men who are in the cooperative associations are often compelled to leave on account of the lack of some such relief.

As an illustration, we had a cooperative association in Georgia four or five years ago with a membership of something like 47,000 men, but to-day that membership is less than 5,000. Now, that is due to what? It is due to the fact that the cooperative association will only finance a commodity up to about 75 per cent of the value of the cotton or other produce handled. In the case of the poor man, the 1-horse farmer, or even in the case of the man farming on a big scale, often they are not able to hold their crops, but have to sell them in the open market at any price they can obtain. They must have more than that 75 per cent. With these men it is only a choice between having it sold by the sheriff and selling it himself on the open market. It occurred to me that it might be desirable or feasible to consider some such provision as suggested.

Mr. TABER. There could certainly be no objection to carrying an insurance provision, if it were founded on sound actuarial experience.

Mr. LARSEN. That could be ascertained, could it not?

Mr. TABER. Certainly.

Mr. LARSEN. Do you think it might be a good idea to incorporate something like that in the legislation, or some provision permitting the farm-loan board to consider that question?

Mr. TABER. If it could be done without too much complication, I would find no objection to that insurance feature.

Mr. FORT. Mr. Taber, the drawback provision to which you referred is necessarily a subject for extensive study by the Ways and Means Committee, is it not?

Mr. TABER. I would not agree that the Ways and Means Committee ought to consider that question of a drawback for a long period of time, because there has been 50 years' experience with it.

Mr. FORT. I was not speaking of the general theory, but I was speaking more with reference to the adjustment of rates.

Mr. TABER. I am not sure whether the Ways and Means Committee should have jurisdiction of this peculiarly agricultural drawback or debenture provision—they could waive it undoubtedly.

Mr. FORT. I do not think they could waive anything touching the raising of revenues. Now, with reference to the remission of sugar duties, those remissions are made under a treaty with Cuba, under which Cuba gives us certain rights with respect to its Government, are they not?

Mr. TABER. Yes; but you mean certain import rights, and not Government rights.

Mr. FORT. They give us certain rights, as a part of that same treaty, with regard to the Isle of Pines, and the right to interfere in their Government under the Platt amendment.

Mr. TABER. Not as I remember it. The remission of duties on Cuban sugar is not a part of the Platt amendment.

Mr. FORT. You spoke of the obligation of the Congress to perform three of the items you mentioned by virtue of the party platforms. Now, there is no provision in the party platform which specifically refers to the question of price elevation, is there?

Mr. TABER. Both the party platforms promised the American farmer an American market. They promised him the same tariff protection that industry enjoys, and he can not enjoy that unless he can be relieved of the surplus.

Mr. FORT. You stated, I believe, that you did not think we should make any appropriation for the creation of cooperative associations?

Mr. TABER. I would not put it just exactly that way. The statement I made, or the meaning that I intended to convey there was, that the farm board should not go into the cooperative organizing business. It would be unsound business to use Federal money in sending organizers out through the country to organize cooperatives. We should set up the machinery to which the cooperatives can come. Then, if there is not enough leadership or initiative, not enough experience and not enough production in a community to make it profitable, the cooperative should not be organized. If you develop the right kind of machinery, and get the right men to administer it sympathetically for the associations, the cooperatives will come in of their own accord.

Mr. FORT. You also made the statement, with which I am in the fullest possible accord, that we should endeavor, through our legislation, to encourage the small farmer rather than the large corporation.

Mr. TABER. You are correct.

Mr. FORT. Further, your general idea as to the nature of the agencies, with which the Government will deal, through the farm board,

is that they should be cooperative associations, or rather it is your idea that we should deal with the cooperative associations wherever they are strong?

Mr. TABER. Yes.

Mr. FORT. But it is your idea that where they lack strength and experience we should find some other method of doing business until they can be brought up to a stage of sufficient strength and experience to handle the problem?

Mr. TABER. That is practically what I had in mind. There again we come to a very serious danger, and we will require a rurally minded farm board, because with a commercially minded farm board it would be entirely possible to take the cooperative movement, wherever it is, and squeeze every particle of life, growth, or expansion from it through the farm board.

Mr. FORT. By a refusal to deal with them.

Mr. TABER. By setting up an agency and supporting it rather than supporting the cooperatives, or in not withdrawing from the support of other agencies when the cooperative associations have gained sufficient strength to handle the problem.

Mr. FORT. I agree with you on that absolutely, and for that reason you think we should lay emphasis on the cooperatives?

Mr. TABER. Yes, sir. I want to say this: That to my mind the thing about the farm board that has kept me awake more than once at night, and which makes me stometimes tremble, is the fear of a great organizing genius in the farm board that believes in the commercial life of the Nation and has no knowledge of or sympathy with the farm problem. That is a possible danger, and it is one that makes me tremble sometimes.

Mr. FORT. Your proposal, in part, is that we should improve the diversification of farming and that, for example, flax should be produced on lands that are now utilized in the production of wheat.

Mr. TABER. Yes.

Mr. FORT. Your theory is that an increase in the duty on flax will induce the wheat farmer to go into flax production?

Mr. TABER. Yes.

Mr. FORT. If that is true, would we not, under the drawback program, bring about an increase also in the price of wheat. Would not that result in an increased production of wheat?

Mr. TABER. I think not.

Mr. FORT. Do not the two programs conflict?

Mr. TABER. No; I would not think so. The farmer should do that which is most profitable. I have never suggested a drawback provision that would increase profits unduly on any surplus commodity, but I would simply make it possible to produce it. Diversification will result from the tariff. It will result in better marketing methods, and we will be constantly overtaking production by expanding population. This whole program would cost the Nation little over a long period of years.

Mr. NELSON. Mr. Taber, I find myself in full accord with your statement as to the undesirability of encouraging large unit farms. There are one or two questions which I would like to ask you: Assuming that Congress enacts legislation providing for a farm board, and a revolving fund, but failed to include the debenture plan, the

equalization fee, or some similar set-up, what steps would have to be taken to-day, for instance, in the case of wheat, which is now selling below the cost of production, and which, if we may judge by futures, will sell below the cost of production this year? Will you briefly outline just what that board could do, under those circumstances, this year?

Mr. TABER. With no agency other than money to loan?

Mr. NELSON. I have said with legislation providing for a farm board.

Mr. TABER. To my mind, the Federal farm board, with no other agencies, other than money to lend, could not affect favorably the price of a commodity of which there is an exportable surplus, because the word market sets the price.

Mr. NELSON. We are in full accord as to that. In other words, you feel that to-day the American farmer is not getting the benefit of the tariff on wheat?

Mr. TABER. Only in part. There have been times when the tariff on wheat amounted to 1 or 2 cents, and there are time in the past when it has given a return of about 40 cents.

Mr. NELSON. But generally speaking, they do not get the benefit of the 42 cents.

Mr. TABER. No, sir.

Mr. NELSON. And that applies to all crops of which we are producing an exportable surplus?

Mr. TABER. Yes; you are correct.

Mr. NELSON. There is nothing that this board could do, then, without an additional set-up, is there?

Mr. TABER. They could do this in case of a great surplus——

Mr. NELSON (interposing). I mean this year. Suppose we get down to a concrete example, applying it to this year.

Mr. TABER. I think there is very little that the board could do except through the elimination of some waste and better marketing methods, for instance——

Mr. NELSON. But only in that way?

Mr. TABER. It might stimulate better marketing methods, or it might stimulate a little in the export line. It might help in that way, but it is not comparable with the other plan. With the debenture, there would be 21 cents on every one of the 800,000,000 bushels of wheat.

Mr. NELSON. You were speaking of sugar a while ago: Do you think it desirable to produce in this country all the sugar we consume?

Mr. TABER. I would like to see literally hundreds of thousands of acres of corn and other land turned into sugar beets, and southern land planted to cane.

Mr. NELSON. Do you believe that it would be desirable to produce in this country all the sugar we consume?

Mr. TABER. We should at least produce 75 per cent of our own sugar.

Mr. NELSON. What would the tariff rate have to be in order to do that?

Mr. TABER. I think that 1 additional cent per pound would be sufficient.

Mr. NELSON. I believe the statement has been made that we should produce all the sugar we required in this country, even if it were necessary to make the tariff $1 per pound. Do you agree with that?

Mr. TABER. That would be unreasonable.

Mr. MENGES. Mr. Taber, you stated a little while ago that you thought a surplus was not the damaging thing a number of people think it is. Did I understand you correctly?

Mr. TABER. Only partially, and I am glad to be corrected if I made that statement. I said that a surplus was the greatest guarantee that the consumer had, and that it had an economic value to the Nation, but that it might be disastrous to agriculture. In other words, the production of a surplus by the farmer may be a good thing to the consumer and a good thing for business, but it is a bad thing for the farmer who grows it.

Mr. MENGES. You would not do away with a surplus if you had the power to do it, would you?

Mr. TABER. Not in wheat; no, sir; or not all of it.

Mr. MENGES. If you would not do that, do you not think it is necessary that machinery should be set up so that, if on account of climatic conditions a surplus is produced, the farmer should not be penalized for producing it?

Mr. TABER. I agree with you most heartily.

Mr. MENGES. I am one of the fellows to whom the surplus has never seemed such a terrible sin. I have always thought, as you expressed it a little while ago, that it is a blessing instead of a curse, and ought not to be permitted to become a curse unless the farmer himself brings it about. Now, in your debenture plan, in the last bill you introduced, I think you had a sort of arrangement to in a way penalize the farmer, to prevent overproduction; did you not?

Mr. TABER. Yes; above a 5-year average. We take the 5-year average of the surplus of corn, cotton, and wheat, and set that as a desirable level.

Mr. MENGES. Yes. I agree with you there; and I want to say to you that you have made a splendid statement.

Mr. TABER. Thank you, Congressman.

Mr. MENGES. It appeals to me. I believe that you agricultural leaders are a great deal closer together than you have ever been before.

Mr. TABER. Sam Thompson will agree with you; also Charlie Barrett, right behind you.

Mr. MENGES. And the only thing you need to do is to stand together in order to get what you want.

Mr. ANDRESEN. Governor, I have no questions that I want to ask myself, but my colleague, Congressman Clarke, of New York, has asked me to propound this question to you:

Aside from the tariff, which we all believe should be readjusted on agricultural products, I point you to a map of the United States, which is on the bookcase there, prepared in the Department of Agriculture, that shows, under the present working of the warehouse act, the operations of that act, nation-wide in extent, where up to $1,000,000,000 worth of agricultural products have been stored, and I ask you this, as applied to a fundamental scheme, aside from the readjustment in the tariff; why a possible elaboration of that plan, so

that the farmer, either through the cooperatives or individually, can have available to him warehouses, would not be an effective plan for surplus control, where they can borrow money at rates of interest, as shown by past experience, of less than 4 per cent? That is, to extend those warehouses to cooperatives throughout the United States.

Mr. TABER. We have very full sympathy with that program. We believe that there is one amendment that ought to be made to the Federal farm loan act. There ought to be a provision whereby cooperatives can borrow money on long-time, amortized loans on physical property of that kind. It either ought to be put in this bill or in an amendment to the Federal farm loan act.

Then as to facilities: I know a cooperative with 1 acre of ground. They want to build a $50,000 concrete warehouse. They can borrow $100 from the Federal farm loan system. Now, we ought to have some machinery whereby we could borrow on long-time amortized loans to build that facility, so that we could take the next step of storing our commodities, either through loans from the revolving fund or through commercial loans. It is pretty hard to get a commercial loan when Wall Street is on the antics as it has been lately. Nobody but a Congressman can borrow money now. [Laughter.]

Mr. BRIGHAM. Where is that? I would like to know where that is.

Mr. ADKINS. Mr. Taber, a matter has been brought in here several times about flax; resorting to flax to preserve the balance of agriculture. You are perfectly familiar with the Middle West. We used to sow flax on the prairie, on virgin soil. But have you ever known any farmer who could successfully make flax a part of his regular rotation, on land after it has been tilled for a considerable length of time?

Mr. TABER. I am not familiar with that particular type of agriculture. Doctor Coulter says that by sweet clover, and a long rotation, you can grow flax.

Mr. ADKINS. That has not been done so far.

Mr. TABER. I want it understood that I just mentioned flax as an example. There are thousands of other things. I hope that we will stop Mexican tomatoes and Cuban tomatoes from coming into the United States and crowding American tomatoes off the market.

Mr. ADKINS. I am glad to know the attitude of your organization, and, as you know, I am in full sympathy with it. I am glad to know that you are going along with the program that this committee will bring out. If the contention is true, as many people think it is, that under this scheme they will lose their money, this board's power can very easily be enlarged, if not provided for in the bill, to take on either the debenture or the drawback plan, or some other scheme to make the tariff effective. In the Sixty-ninth Congress, when I introduced the debenture bill, I put into the record a statement that that scheme would keep, and would probably have to come back to us some time. We have got to make a start some time, and I am glad to know that your organization feels that way about it.

One more thing about the surplus: That is something that holds the public interest. The producer should not be penalized, should he?

Mr. TABER. Absolutely not.

Mr. ADKINS. He should not be penalized for furnishing that protection to the great consuming centers, which I think is the best justi-

fication in the world for your drawback or debenture idea. But we have got to be practical. We have got to make a start some time, and I think we have an opportunity now to start. We might have done this four years ago, and probably we would have had the debenture or drawback or equalization plan, or some other plan, working while we were on this problem.

Now, so far as being fearful of what happens, you have never known an innovation into any established order of things but what there has always been that fear, have you?

Mr. TABER. You are right.

Mr. ADKINS. If we hold back because of that, we will never start, will we?

Mr. TABER. You are correct.

Mr. ADKINS. So we had better start with what we can get, and add to it as we can?

Mr. TABER. I agree with you, Mr. Adkins, fully; but I always want to start as "near to town" as I can.

Mr. ADKINS. That is true.

Mr. TABER. And I want to go toward town.

Mr. ADKINS. If the fence is too high for you to get over, you had better take off a few rails rather than nothing at all.

Mr. TABER. Sometimes I take the rails off.

Mr. BRIGHAM. Mr. Taber, you are familiar, probably, with the export-bounty plan adopted by the Australian Government of giving 6 cents per pound export bounty on butter?

Mr. TABER. Yes; I am familiar with some of the operation of that method.

Mr. BRIGHAM. I believe that Secretary Mellon, using the powers given him under the tariff act, immediately raised the duty on butter imported from Australia into this country from 12 cents to 18 cents to offset that bounty, did he not?

Mr. TABER. He did.

Mr. BRIGHAM. Now, Italy is one of our customers for wheat. In 1925 we exported over 25,000,000 bushels of wheat to Italy.

Mr. TABER. Mussolini says he is not going to buy any wheat after 1930, however.

Mr. BRIGHAM. Mussolini has placed a tariff of 96 cents per 100 pounds upon wheat. Now, suppose we had an export bounty on wheat of 42 cents a bushel, and Mussolini should add that to his tariff of 96 cents per 100. The market of Italy would be practically closed to our export surplus wheat, would it not?

Mr. TABER. That is the reason, Mr. Brigham, that we are advocating either the drawback method or the debenture method. This prevents the invoking of antidumping legislation, because it is simply an internal-tariff adjustment. Our American manufacturer has never lost a market in the world because of the drawback—not one—and if the American manufacturer in 50 years has not lost a market because of the drawback, why should the farmer lose a market because of the drawback?

Mr. BRIGHAM. If we adopted an export-bounty plan on wheat, for instance, that resulted in the producer of American wheat being subsidized to that amount, do you not believe that the governments of the world that import our surplus wheat would set about to adopt some plan to protect their producers against that subsidy?

Mr. TABER. It just depends upon its application. If it is a bounty or a subsidy, yes; if it is a tariff adjustment; no.

Mr. BRIGHAM. Well, the export bounty is in fact a subsidy, is it not?

Mr. TABER. It is not; not any more than the tariff on aluminum keeps money out of the Treasury. We do not call that a subsidy.

Mr. BRIGHAM. The imposition of a tariff on imports is a little bit different, is it not, from paying a bounty of so much per bushel on exports?

Mr. TABER. Yes, sir.

Mr. BRIGHAM. If it were so interpreted by the importing countries, and they set about to adopt some scheme to protect their producers, it would thwart the plan, would it not?

Mr. TABER. It would; but the Einverschein in Germany has never brought about those results. The direct method is very different from the indirect method, both as to practical workability and international interpretation.

Mr. BRIGHAM. But the export volume in Germany would be small as compared with ours?

Mr. TABER. Certainly. We speak of the Einverschein in Germany because it is the first application of the drawback provision to agriculture.

Mr. BRIGHAM. One other question: Provided there were some industries that were suffering, as the textile industries are suffering—men were out of employment and mills closed down—would you advocate the extension of the export-bounty system to those industries in order to relieve them?

Mr. TABER. There is no reason why we should apply a principle to one group and not apply the same principle to another. However, under the principles of the law, the man that uses cotton, in your New England mills, would draw his export debenture on his cotton that he ships abroad in the form of underwear and muslins, just the same as though he shipped it in the bale.

Mr. BRIGHAM. It would not be of any net benefit to him?

Mr. TABER. The debenture would not hurt him any.

Mr. BRIGHAM. Nor would it help him?

Mr. TABER. You are correct.

Mr. BRIGHAM. That is all.

Mr. HOUSTON. You are not interested so much, Mr. Taber, in seeing that agricultural products get the full benefit of the tariff as in seeing that they get a reasonable price over and above their cost of production?

Mr. TABER. You are correct.

Mr. HOUSTON. Because, as is well known, sugar at the present time gets the full benefit of the tariff, and yet is being sold below cost of production. Now, you spoke of the skyrocketing of sugar after the war, did you not?

Mr. TABER. Yes; and during the war.

Mr. HOUSTON. Are you sure about during the war?

Mr. TABER. Yes, sir.

Mr. HOUSTON. That was due to the shortage of production in our own country, for one thing, was it not?

Mr. TABER. Yes. That was a factor.

Mr. HOUSTON. And to the world shortage at large?

Mr. TABER. It dislocated transportation, just the same as the English coal strike dislocated prices, too.

Mr. HOUSTON. You referred also to the tariff drawback with respect to Cuba. Except indirectly, that was not intended to benefit the American producer of agricultural products, was it?

Mr. TABER. No; it was meant to benefit the Cuban cane grower.

Mr. HOUSTON. Now, what would happen with your debenture plan with respect to the exportable surplus of American refined sugar? Do you mean to say that there should be a debenture paid upon American refined sugar which is, in fact, exported?

Mr. TABER. No, sir. Our provision would only apply to those commodities of which there has been over a 5-year period a sustained exportable surplus.

Mr. HOUSTON. But assuming, or admitting—which is a fact—that there was and has been sugar exported in quantities over and above a hundred million tons a year?

Mr. TABER. That would not apply, because it is not domestic sugar.

Mr. HOUSTON. In other words, the surplus, as has been well said here, is usually due to an importation?

Mr. TABER. Certainly. We are only growing 15 or 20 per cent of our sugar.

Mr. HOUSTON. Do you believe that the producer of sugar-growing crops should be adequately protected by a tariff?

Mr. TABER. Yes, sir.

Mr. HOUSTON. That is what will benefit them. And with respect to canned foods, for instance, you believe that there should be the application of a tariff which will give them all equal protection?

Mr. TABER. Certainly.

Mr. HOUSTON. For instance, in Hawaii we pack pineapples, and we get only the equivalent of a 20 per cent ad valorem tariff duty, whereas in fact others get 30 per cent. There should be equality of protection, should there not?

Mr. TABER. There should; yes.

Mr. HOUSTON. That is all.

The CHAIRMAN. I understood you to say that your organization favors the debenture plan.

Mr. TABER. We are for it or its equivalent; yes, Mr. Chairman.

The CHAIRMAN. That is for the purpose of making the tariff effective?

Mr. TABER. Yes, sir.

The CHAIRMAN. I understood you to say that you would go along with anything substantially on that line.

Mr. TABER. Certainly. We would be just as happy if the committee could find anything else as operative.

The CHAIRMAN. Would you be willing to go along if the declaration of policy were made clear in that particular respect; that is, that the farmer shall have the benefit of the tariff?

Mr. TABER. Yes, sir.

The CHAIRMAN. With a declaration set out in the bill that it shall be done; that the tariff shall be made effective; and the board empowered and directed to carry out all its agreements in conformity with the declaration?

Mr. TABER. It would then resolve itself into the question of the ability and the methods of the board.

The CHAIRMAN. Well, the board would have to be given broad power?

Mr. TABER. Certainly.

The CHAIRMAN. Instead of suggesting a definite policy, to have the board work out its own policy, but to state definitely what shall be accomplished; the declaration of policy to be made clear in that respect. Do you think that would be satisfactory?

Mr. TABER. I will say it would be acceptable.

The CHAIRMAN. You suggested substituting sugar beets for corn. We would be up against the labor problem in that case, would we not?

Mr. TABER. We have a serious labor problem in harvesting beets; but some day we are going to find artichokes or some other vegetable that will give us sugar, and that will apply to American mechanical agriculture. I have not the least doubt about that. We are already making progress in sugar.

The CHAIRMAN. Do you think you can solve the labor problem?

Mr. TABER. I think so.

The CHAIRMAN. That has been our trouble in Iowa.

Mr. TABER. That is our great trouble everywhere—the matter of labor to handle sugar beets.

Mr. FULMER. Mr. Taber, did I understand you to make the statement that this bill, to be reported by the committee, should not provide for any funds to assist in organizing the farmers?

Mr. TABER. No; I did not mean to put it that way; but my point is that it is not the purpose of the board to go out and organize the farmers.

Mr. FULMER. Do you believe that any legislation that we might be able to pass in Congress would be effective unless we were able to organize, you might say completely, the agricultural interests of the country?

Mr. TABER. I want somebody else to do it besides the Government.

Mr. FULMER. But you believe it would have to be done?

Mr. TABER. The organization. The fifth plank in the program, as we indicated in starting, is organization.

Mr. FULMER. Have you any good reason to believe that you could organize the farmers any better in the future than you have in the past?

Mr. TABER. Oh, yes. All of the farm organizations are making very substantial progress, both the cooperatives and the general farm organization. This campaign has been a campaign of education, and as the farmer improves his knowledge and his business understanding we will find him coming more and more readily into organizations of the right type. But if we have some place through which he can work, some agency to which he can go, we will find the stimulus greatly increased.

Mr. FULMER. Is it your belief that the cooperative associations or the members of the cooperative associations should own these stabilization corporations?

Mr. TABER. Yes, sir.

Mr. FULMER. And not permit members on the outside to become members of the stabilization corporations?

Mr. TABER. My notion is that in emergencies the board might have to contract from year to year temporarily to handle some proposition. But the stabilization corporation must be owned so that it reflects right back to the individual farmer.

Mr. FULMER. What would you do, then, in case you did not have a sufficient quantity of the product in the hands of the cooperatives so as to take charge of that and manage your surplus?

Mr. TABER. You would have to use some other agency temporarily.

Mr. FULMER. Then it would be your belief that the board should be given power, in a case like that, to go out and buy up these commodities in sufficient quantities to accomplish what they have in mind?

Mr. TABER. As an emergency measure only.

Mr. FULMER. Have you ever given any thought to the proposition of putting a duty on the importation of jute and jute products, so that we might be able to substitute cotton for jute?

Mr. TABER. We have given some consideration to that, but we have taken no action on it because of lack of familiarity with the type of cotton necessary to substitute for jute.

Mr. FULMER. I would be mighty glad if you and your organization would look into that matter, because if you could do anything to help our people in the South it would mean quite a lot to the people in your section of the country.

Mr. TABER. As to that, we are getting a lot of Grange members in the South.

I want to make this final observation to the committee: I think you ought to remember that the American consumer for eight years has lived and enjoyed a standard of living and the blessings of life partially because he has had much of his food, through that 8-year period, below the farm cost of production; and I feel, as was said by William Green yesterday before the Senate committee, that the American consumer has no objection to seeing that price level raised to a point that gives a profit to American agriculture.

The CHAIRMAN. Thank you very much, Mr. Taber.

Mr. FORT. Mr. Chairman, in view of the last statement of the witness I would like to make one remark, which I would have made to him if he had made that statement earlier.

Representing as I do a consuming district, without an agriculturist in it, and a manufacturing district, supposedly vitally interested in the tariff, I have yet to hear any protest against legislation that will give the American farmer what he ought to have, nor any request from any manufacturer, as was stated by the gentleman from Kentucky this morning, that tariffs on agricultural products be held down, or that those on manufactured products be increased.

Mr. ANDRESEN. Mr. Chairman, I would like to ask Mr. Taber one question. Mr. Taber, do you mean to say that the consumer, when he pays from 35 to 50 cents for a pound of sirloin steak, or from 10 to 15 cents for a loaf of bread, is buying that below the cost of production?

Mr. TABER. I said, or meant to say—if I did not say it, I am glad you corrected me—that the consumer has enjoyed food based on a wholesale price to agriculture. I guess I left that point out.

Mr. ANDRESEN. But the selling below cost of production has not been reflected to the consumer?

Mr. TABER. Only in part. I bought potatoes in Columbus by the peck this year at less than I know anybody raised them for anywhere.

Mr. ANDRESEN. Yes; but you can go down to one of the hotels here and you will pay up to $2 a bushel for the same potatoes.

The CHAIRMAN. The next witness is Mr. Wells.

STATEMENT OF FREDERICK B. WELLS, VICE PRESIDENT OF F. H. PEAVEY & CO., GRAIN MERCHANTS AND WAREHOUSEMEN, MINNEAPOLIS, MINN.

The CHAIRMAN. Kindly state you name and residence, and who you represent.

Mr. WELLS. My name is Frederick B. Wells, vice president of F. H. Peavey & Co., grain merchants and warehousemen, Minneapolis, Minn.

The CHAIRMAN. Do you represent any others here?

Mr. WELLS. My comments will be as an individual, but they are concurred in by certain groups to which I will refer in the course of my statement, with your permission.

It is with no small degree of hesitancy that I appear before your committee, as I have no cure to offer for the ills from which agriculture is suffering, nor do I believe that through legislation the more serious problems confronting agriculture can be solved. I am inclined to side with that group of agricultural economists which holds that the distress experienced to a varying degree by certain branches of agriculture is an evidence of the evolution through which the industry is passing.

In the not distant past there was witnessed in the manufacturing industry a transition from hand labor to machine production. The shoemaker, the harness maker, the cabinetmaker and similar skilled artisans were eliminated by the primitive factories of that period. Later improved machinery and enlarged production, with resulting lowered costs, crowded the smaller manufacturer out of business, and so, step by step, the evolution progressed until to-day we have gigantic corporations with immense investments in plants and machinery, working along the lines of mass production, employing vast numbers of machine operatives and producing at unit costs which would have been unbelievable 25 years ago.

In this mechanical evolution hundreds of thousands of skilled artisans and small manufacturers lost their business independence and were absorbed by the modern mammoth organizations. This is the inevitable penalty of progress. To-day we are in the midst of an equally radical change in the distribution of merchandise. In urban communities department stores have largely eliminated small independent shops. Catalogue houses and chain stores have made serious inroads on the business of the small merchants, both in rural communities and in the cities. The jobber or wholesaler is being gradually eliminated as the result of direct sales by manufacturers to the new type of distributing agencies.

Once more we observe that in the evolution of merchandise distribution thousands of local independent merchants and many whole-

salers have been eliminated in order to attain the goal of economic distribution. I call your attention to these phenomena for the purpose of impressing you with the fact that agriculture is not the only branch of business or industry which has suffered during the progress of its economic evolution.

I feel confident that with the further development of machine farming, cotton, and grain raised for market will be generally produced on plantations and farms of an area sufficient to warrant the investment in machinery and equipment necessary to reduce production costs to a point which will make profitable operation possible.

All of this may seem irrelevant and as having no bearing upon the subject which you have under consideration, but to me the experience in other lines of industry points the way to possible assistance for agriculture through legislation which will afford sympathetic leadership and will cultivate the appreciation of the fact that agriculture can hope to achieve success only through organization, coperative action, and the utilization of information made available by Federal and State agricultural research work. I have said that I do not believe that legislation is the cure for the more serious agricultural troubles, but I am hopeful that sound legislation, designed to assist producers in their work of organization and in the financing of their initial cooperative efforts, would be of lasting benefit.

Before touching upon possible legislation I wish to clear up one point which I think befogs many discussions of the subject before you.

There is no such thing as the agricultural problem. There are as many problems as there are agricultural commodities, and not infrequently a single commodity presents many problems. I realize that there is nothing new in this statement, but the fact is too often disregarded. Then, too, it must be remembered that agricultural problems are not static; they change from year to year, sometimes from month to month, and constantly from one commodity to another. Hence, it is obviously impossible to provide specific remedies in legislation for conditions and situations which are constantly changing.

In order to express my views on the type of farm-relief legislation which might prove helpful I must assume that whatever the form of the bill drafted by your committee it will embody the pledges made to agriculture in the Republican platform as amplified by Mr. Hoover in his speeches during the recent campaign. In his St. Louis speech of November 3, 1928, Mr. Hoover stressed the importance of three specific provisions which he believed were fundamental and should be incorporated in farm-relief legislation.

1. Creation of a Federal farm board.

2. Assistance to cooperative commodity organizations of producers, both in the work of organization and in financing their initial operations.

3. Provision for the establishment of farmer owned and controlled commodity stabilization corporations, the function of which would be to prevent undue temporary depressions in the prices of agricultural commodities which result in unnecessary losses to producers.

I will confine my comments to these three provisions on the assumption that they will constitute the basis of the bill which you will submit to Congress.

Federal farm board: The members of the Federal farm board should be appointed by the President who should be authorized to

fix the salary of the chairman. The Secretary of Agriculture should be an ex officio member of the board and the majority of its members should consist of individuals of demonstrated ability and broad experience in the field of merchandising and distribution. Broadly speaking, the problems of agriculture may be divided into two classes—those pertaining to production and those involved in marketing and merchandising. Production problems come within the scope of the activities of the Federal Department of Agriculture and the various State agricultural departments. Merchandising problems would naturally constitute the chief responsibility of a Federal farm board. The problems presented to the board for solution would be essentially business problems, merchandising operations of a vastness and complexity encountered in no other line of industry, and for this reason it is vital that a majority of the board should be qualified by broad experience and demonstrated ability in the field of large scale merchandising operations.

The board should not initiate action looking to the formation of cooperative organizations, the rendering of financial assistance to cooperatives, or the creation of stabilization corporations. Initial action in every instance should be taken by cooperatives or producer groops and plans or requests should be submitted by them to the board for review, investigation, and final decision as to their necessity, prospective benefit, and probability of success. Unless the responsibility for initiative is placed upon the producers' organizations there is little hope of developing business independence and financial stability among the cooperatives.

The board should be able to secure from governmental establishments any available information and data pertaining to the functions of the board, excepting only such information or data as is furnished to governmental establishments in confidence either in pursuance of any provision of law or of any agreement with a governmental establishment. Among other things, this authority would enable the board to ascertain the volume of speculative interest in the future contracts markets, which information might be of great assistance in determining the necessity or advisibility of a stabilization corporation in connection with the marketing of the commodity involved.

An adequate fund should be placed at the disposal of the Federal farm board out of which it should be authorized to make loans to cooperative organizations and to stabilization corporations and for such other purposes as may be set forth in the act.

The board should be given such broad powers that it could, without the specific sanction of Congress, meet any emergencies which may arise affecting agriculture.

Commodity advisory councils: I would suggest that there be incorporated in your bill provision for the creation of commodity advisory councils. Assuming that these councils consist of seven members, I believe that five of the members should be appointed by the board from individuals nominated by producers' organizations, or groups of producers, the remaining two members to be appointed by the board with special reference to their demonstrated ability in the merchandising or processing of the commodity involved. Again I would stress the fact that the problems to be considered by the board and by the advisory councils would be merchandising problems,

and consequently the advice and assistance of properly qualified business individuals should prove of value to the producers' representatives on the council. Commodity advisory councils should investigate and study problems affecting their constituent cooperative organizations or producer groups, and submit their findings to the Federal farm board with recommendations for such action and assistance as the nature of the problem may require.

Assistance to cooperative commodity organizations: Upon application from a group of producers of any agricultural commodity, which is without adequate cooperative organization, the board should investigate the necessity for such an organization, the benefit which would accrue to the producers from its operation and the probability of its success if organized. If satisfied on these points, the board should assist the producers' group in setting up the proper form of organization and also make such loans to the organization as may be necessary to finance its initial operations.

Loans to cooperative commodity organizations: The farm board should be authorized, upon the request of any cooperative commodity organization, to make loans to such organization for the purpose of assisting in the financing of its merchandising operations, providing that the cooperative meets the requirements of the board in its form of organization, its financial condition, its methods of accounting, the character of its management, and that the board is satisfied that all other available credit facilities have been exhausted before application has been made to the board for a loan.

Loans to cooperatives for the purchase, construction, or leasing of marketing facilities should only be authorized by the board if, after a careful survey, it develops that the service required can not be secured through existing facilities at a reasonable charge. No loans for the construction of marketing facilities should be authorized if existing facilities suitable for the required purpose are available for purchase. It should be noted that the duplication of marketing facilities inevitably leads to an increased toll exacted from producers, as a natural result of the decreased volume handled by each operating unit.

Stabilization corporations: Upon application of a commodity cooperative marketing association or of a group of cooperatives engaged in handling the same commodity the board may grant authority for the creation of a commodity stabilization corporation, if, upon investigation, the board is convinced that an emergency exists or is imminent, in respect to the commodity involved and that the operations of the corporation can be reasonably expected to prevent undue price depression and safeguard the producers against unusual losses.

In granting authorization for the creation of a commodity stabilization corporation, the board shall stipulate the form of organization to be adopted, the methods of accounting to be employed, and the amount of capital to be subscribed by cooperative stockholders, and the character of management of such corporations must be acceptable to the board.

The board should be empowered to make loans to authorzed commodity stabilization corporations for the purpose of assisting in the financing of their merchandising operations, but no loans should be made by the board until other credit facilities have been exhausted, and all such loans should be secured by a lien upon the commodity in-

volved. No loans should be made to any commodity stabilization corporation if, as a result of its proposed operation, it is deemed probable that the production of the commodity involved will be increased. No loans should be made to commodity stabilization corporations for the purpose of construction, purchase, or leasing of marketing facilities, inasmuch as the operations of the stabilization corporations would presumably be intermittent and not continuous and the facilities of the stockholding cooperatives would be available for its purposes.

If I have gone into detail as regards a nonexistent bill, it is because I realize that legislation such as is proposed is entirely experimental. Unless such a measure is administered in accordance with sound business principles, its failure is inevitable. The success of a program such as is suggested depends primarily upon two factors—(1) the character, ability, and broad experience of the individuals constituting the farm board, and (2) the willingness of producers to organize and through their advisory councils to place before the board statements of their problems and suggestions for relief. If you agree with me that all agricultural relief legislation is of necessity experimental and that the success or failure of any plan can not be foretold, you will also concur in my conviction that until the success of any plan is demonstrated nothing should be done which would in any way jeopardize our existing marketing agencies, including especially our futures markets. A breaking down or impairment of our present marketing machinery would bring disaster to a vast number of producers and would retard the development of farmer-owned and operated marketing cooperatives.

In conclusion, I would again state that while I do not believe that legislation can or will cure all agricultural ills, I feel confident that if the producers will assume their share of the responsibility and if they are given the assistance of a sympathetic farm board of outstanding ability, the condition of agriculture can be greatly improved through the passage of legislation of the general character which I have suggested, and I can assure you that, as far as is consistent, the grain trade and the leading markets of the country will cooperate with the farm board and other agencies to the end that this worth-while experiment may receive a fair trial.

In my statement I have expressed my personal views on proposed legislation, but I am authorized to advise you that in a general way, the grain markets enumerated concur in my recommendations: Chicago, New York, St. Louis, Kansas City, Minneapolis, Duluth, and Omaha.

Mr. PURNELL. I want to congratulate you upon that statement, Mr. Wells. I just noted two things that I would like to have you enlarge upon, and give your reasons for them, if you will. The first is, why, in your judgment, should no loans be made to any of the cooperative associations until they have exhausted all other efforts to secure credit? Would you publicly impose that burden upon them?

Mr. WELLS. I take it it is the desire of this committee to see in the future a situation in which the cooperatives will be independent, in which they will finance their business through established channels, and if you extend paternalism too far, and they do not have to become involved in the difficulties of financing their business and

can come to the farm board for all the money which they need, I think the chances of developing business genuis among the cooperatives is very remote.

Mr. PURNELL. I can see some justification for your conclusions, but at the same time I think it is admitted that some of these loans will have to be made on more or less uncertain collateral.

Mr. WELLS. I take it the farm board would be given such broad powers that it would not be bound by any definite rule, but would be enabled in cases where it seems advisable to make loans even if other credit facilities were not exhausted.

Mr. ASWELL. Mr. Wells, if such a bill as you have outlined should be enacted and put into operation, and it was successful, would not this board you have described in a few years be doing the business which you and your associates are doing now?

Mr. WELLS. Eventually that would be my expectation and my hope.

Mr. ASWELL. That is a very frank statement. You stress the board, and I agree with most of your statement. What do you mean by outstanding men? You said they should be men of outstanding ability. What do you mean by that?

Mr. WELLS. I mean men who have achieved reputations because of their success in merchandising operations.

Mr. ASWELL. With the farmers?

Mr. WELLS. In general merchandising operations. The magnitude of the operations, which would come before this board for study and for review, are not comparable with those in any other business. We never have known any such proposition, and the complexity is way beyond that encountered in any other line of merchandising.

Mr. ASWELL. Is it not vitally important for this board to have an outstanding knowledge of handling farmers as well as commodities?

Mr. WELLS. I divide the problems as indicated in my memorandum. The problems of production, I think, come properly within the scope of the Department of Agriculture. The problems before the board would be largely problems of merchandising.

Mr. ASWELL. They would have to know the farmer's condition and they would have to understand the farmer himself, as well as his products.

Mr. WELLS. I simply suggested that a majority of the members should be men experienced in merchandising.

Mr. ASWELL. How many members would you recommend to be placed on the board?

Mr. WELLS. I have not given the matter any thought.

Mr. ASWELL. You have no idea about it?

Mr. WELLS. No; I thought I was very presumptuous in suggesting any form of a bill, but I based my suggestion on the St. Louis speech.

Mr. ASWELL. Would you have 10 or 15 members on the board?

Mr. WELLS. No; I would have as few as possible.

Mr. ASWELL. How many?

Mr. WELLS. Not to exceed seven.

Mr. ASWELL. Would you put the Secretary of Agriculture on the board?

Mr. WELLS. As an ex-officio member.

Mr. ASWELL. How could he attend all the meetings of the board? The board would have to meet every day.

Mr. WELLS. The board would be in session practically every day.

Mr. ASWELL. How could the Secretary of Agriculture be there every day?

Mr. WELLS. He could not be, but I think he should be an ex-officio member of the board, so that production problems and the distribution and merchandising problems could be considered together.

Mr. ASWELL. With or without a vote?

Mr. WELLS. With a vote.

Mr. ASWELL. And yet he could not attend all the meetings.

Mr. WELLS. He would attend as many as he could.

Mr. ASWELL. How much salary would you pay the members of the board?

Mr. WELLS. I have not given that matter a thought.

Mr. ASWELL. But you are a business man, and we want to have your opinion as a successful business man. You represent the very position you have been describing. What would you pay the members of the board?

Mr. WELLS. If you were going to run a private business, and the question of a desire for public service was eliminated, you would have to pay the members of such a board $50,000 a year, and the chairman probably $75,000.

Mr. ASWELL. Leave out the "ifs." How much would you pay them?

Mr. WELLS. I think men might be found for possibly $15,000 a year, $12,000, or $15,000 a year, who would be anxious to be of public service. The chairman would have to be paid more, undoubtedly.

Mr. ASWELL. Why?

Mr. WELLS. Because you would have to get the ablest possible man in many lines, not only in distribution and merchandising, but a man with the broadest vision and with a deep sympathy for agriculture and its problems, and that man is not easy to find.

Mr. ASWELL. That kind of a man would serve for nothing, would he not?

Mr. WELLS. If he could.

Mr. ASWELL. Do you consider that as you have outlined the proposition the board and its stabilization corporations and advisory councils would cover the provisions of a bill that ought to be passed?

Mr. WELLS. As I have stated, I think the success of any bill which contains these three suggestions made by Mr. Hoover in St. Louis is dependent largely upon the farm board and to a slightly less degree, or perhaps to an equal degree, upon the desire of agriculture to cooperate.

Mr. ASWELL. You did not include in your discussion the 15,000,000 people who voted for the other party. Have you anything to say about that?

Mr. WELLS. I think that their platform was substantially the same as regards agriculture.

Mr. WILLIAMS. You said that the commodity councils or committees should be appointed by the board.

Mr. WELLS. The majority of the board, five of an assumed seven, to be nominated by the cooperative or producer groups and appointed by the board and two to be directly appointed by the board.

Mr. WILLIAMS. I think the unanimous opinion expressed by all of the witnesses who have appeared before our committee has been that

if the President is given general authority to appoint the members of the farm board without any limitations that the commodity councils, who are supposed to represent the various commodities on a contact committee with the board, should be selected by the producers themselves.

Mr. WELLS. I agree that of an assumed committee of seven, or a council of seven, five should be selected by the producer groups or cooperative organizations, whichever may exist. But I think it would be a tremendous advantage to the council if, in addition, they had two members sitting on the council who had a broad experience in the merchandising and processing of the commodity involved.

Mr. WILLIAMS. The point is this, and I think it is rather important in considering this legislation. If the board appoints the commodity councils rather than having them appointed directly by the cooperative organizations or producers' organizations, would not it at least appear that these councils might represent the opinions of the board in these matters?

Mr. WELLS. I have no brief to hold for that particular paragraph.

Mr. WILLIAMS. You made that suggestion.

Mr. WELLS. It was simply copied from bills which have been previously before you, with the exception that I have suggested the appointment of two members on the commodity council, especially qualified by their broad experience in merchandising and processing the commodity involved.

Mr. WILLIAMS. In discussing the money advanced to stabilization corporations, is it your idea that the same security should be required by the board for money advanced to stabilization corporations as would be required where loans were made direct to cooperative organizations, in the ordinary transaction of their business?

Mr. WELLS. I think they should have exactly the same security. The operations of the stabilization corporations would be far more hazardous than are the merchandising operations of the cooperatives.

Mr. WILLIAMS. Would the cooperatives be inclined to organize stabilization corporations in emergency cases if the total loss was to be assumed by them?

Mr. WELLS. The total loss would not be assumed by them, as I had it in mind. The cooperative members of a stabilization corporation, as organizations holding the stock, could only lose their stock; the amount which they had subscribed to the capital stock of the stabilization corporation, and any losses incurred beyond that would fall upon the Treasury.

Mr. WILLIAMS. The Treasury of the United States, out of this fund?

Mr. WELLS. Yes, and be reimbursed later on by any profits the corporations might make.

Mr. WILLIAMS. I think that is, perhaps, the idea that the majority of the committee have, that the security required for the stabilization corporations might be a little thin at times.

Mr. WELLS. It undoubtedly would be thin, from a commercial standpoint.

Mr. WILLIAMS. From a commercial standpoint, and this being an experiment, a new trail we are blazing, that the Government rather

than the organized farmers should assume the major risk in the stabilization corporations.

Mr. WELLS. I hold, and I think my views are confirmed very largely by the leading cooperatives in the country, that unless these cooperatives have a financial stake, an actual stake, in the operations involved, there is very little chance for their ultimate success. If they are to be given money without any risk, that is, with nothing to lose and everything to gain, they never will be strong organizations.

Mr. KINCHELOE. Mr. Wells, your statements are always interesting because I think you know what you are talking about. I have had the pleasure of hearing you before, and I do not think there is a man in the country who knows any more about the grain business than you do, especially the marketing end of it. Would you loan money from this revolving fund to cooperatives and to the stabilization corporations too?

Mr. WELLS. Yes.

Mr. KINCHELOE. You would loan it to both of them?

Mr. WELLS. Yes.

Mr. KINCHELOE. What, in your judgment, should be the amount of the revolving fund to do this job in order to bring about its success?

Mr. WELLS. I have not the slightest idea.

Mr. KINCHELOE. You have not any idea about it?

Mr. WELLS. Absolutely none.

Mr. KINCHELOE. What line of business would this stabilization corporation have from the cooperatives if you loan money to both of them? Why would it be necessary to have a stabilization corporation? Are you going to amplify the corporations? Could they not hold this stuff and market it?

Mr. WELLS. I take it the cooperative is a going concern that is in the market all the time merchandising. The stabilization corporation is called into existence when an unusual and undue depression exists or seems imminent. The stock of the stabilization corporation would be held by the cooperatives, but it would undertake marketing in a very different way from the cooperative. The cooperative is buying and selling constantly as a merchant. The stabilization corporation is a stabilizing factor to tide over a temporary depression or to prevent an impending depression.

Mr. KINCHELOE. Mr. Wells, you think, I imagine, that if the American farmer is to get an American price—that is, the world price plus the tariff—by reason of this legislation, that there is going to be a loss in the transactions of this stabilization corporation; is that not true?

Mr. WELLS. I do not think that as a result of this legislation you can guarantee the American farmer the world price plus the tariff.

Mr. KINCHELOE. I say, if he does get that, which is the hope of this legislation, then you think there will be losses in the transactions of this stabilization corporation, do you not?

Mr. WELLS. If that is the purpose of the stabilization corporation, in the majority of cases the operations will be conducted at a loss, and a substantial loss.

Mr. KINCHELOE. And, of course, that loss would come out of the Treasury?

Mr. WELLS. Yes; it would come out of the Treasury, except that any profit realized would go to offset the loss.

Mr. KINCHELOE. Would you have a stabilization corporation for each commodity?

Mr. WELLS. Inevitably you must have.

Mr. KINCHELOE. And the stock of it would be farmer owned and farmer controlled?

Mr. WELLS. Oh, yes; absolutely.

Mr. KINCHELOE. You think this is a constructive proposition?

Mr. WELLS. I think it is affording the American farmer an opportunity never afforded to any group of our citizens.

Mr. KINCHELOE. I do, too. Do you think this is sound?

Mr. WELLS. I think this is perfectly sound.

Mr. JONES. Pursuing the questions asked by Mr. Purnell, in reference to your statement that the loan should not be made until existing credit facilities had been exhausted, I agree that there should not be any loans made except on a sound basis. And yet it seems to me that one of the important reasons for these loans is to enable them to get the money at a lower rate of interest than many of them have been able to get it for. If the board could make a sound loan at 4 per cent, and existing credit facilities would not enable them to get it for less than 6 or 8 per cent, would you still make that proposition?

Mr. WELLS. I had in mind the intermediate credit banks.

Mr. JONES. Would you enlarge and liberalize the scope of the intermediate credit banks?

Mr. WELLS. As far as the interest rate is concerned, I think so; I would liberalize their operations in that way.

Mr. JONES. You think that should be the system, rather than the other, where it can be handled that way?

Mr. WELLS. I think it is highly essential that the cooperatives receive business training from the start, and that they go to an established agency, which would be the intermediate credit banks, for such funds as they require.

Mr. JONES. I have noticed that a number of representatives of the cooperatives have urged that there be a provision for the enlargement of the intermediate credit banks—that is, an enlargement of their facilities—and that they be made a little more flexible.

Mr. WELLS. It may interest you, Mr. Jones, to know that I was talking a few weeks ago with the president of one of the most successful cooperatives in this country, the Land O' Lakes Creamery in Minneapolis, a very large cooperative and a very successful one. He stated that they did not want money loaned to them cheaper than the commercial rates, but they did want a liberalizing of credits which would enable them to finance their floating inventory. He said, "If we can not compete and progress on the same basis as private business, then we are doomed inevitably in the future."

Mr. JONES. Mr. Wells, I want to ask another question somewhat different from those that I have asked you. You were here and testified in connection with the grain futures act, and you have made reference to it in your testimony. Do you believe the operation of the grain futures act has in any way tended to make a better market for the farmer's grain products?

Mr. WELLS. Yes, and no. As far as the actual creation of a market is concerned, I can not see that anything in particular has been accomplished. But as far as familiarizing the public, that is the agricultural public as well as the city population, with the uses and the value of the futures market, I think the legislation has been valuable.

Mr. JONES. It does not seem, does it, to have affected to any appreciable degree either the amount of trading or the character of trading on the futures market?

Mr. WELLS. I would say that it is a matter of official record as to the volume of the trade, but, in my opinion, the character of trading in our largest market in Chicago, has changed in one quite important particular.

Mr. JONES. What is that?

Mr. WELLS. Years ago, we had a class of men who might be called speculative investors—men of large means interested in banking and one thing or another. At times when prices became abnormally low, and when they were convinced that the current prices did not reflect the cost of production, those men would accumulate large lines of corn, oats, and other commodities, and carry them, not for a turn in the market, as in the case of the ordinary speculator, or for two or three cents advance, but until the price had reached a materially higher level. Those men operated purely as individuals and not as groups. They resented very much the fact that a Government official should have knowledge of their operations. They looked on an investment in wheat, corn, or oats just as they looked upon an investment in real estate. Those men have dropped out of the market almost entirely, because they did not want to be called before a supervisor in Chicago and asked, "Why do you happen to hold 5,000,000 bushels or 10,000,000 bushels of corn?" They will not stand for that sort of investigation.

Mr. JONES. Do you think that action on their part has helped or hurt the market?

Mr. WELLS. I think it has hurt the market, because they were a stabilizing influence. They took grain off the market and carried it until the price level, in their opinion, reflected the cost of production.

Mr. KETCHAM. You have been in the room this morning and have heard a discussion of a number of the remedies that have been suggested, have you not?

Mr. WELLS. Yes, sir.

Mr. KETCHAM. Have you given any thought to any of those suggestions outside of those you have dealt with in reference to the setting up of a board and the other recommendations that have been included in your statement?

Mr. WELLS. For a number of years I have been interested in this subject.

Mr. KETCHAM. If that is the case, I would like to have your judgment as to the possibility of the tariff itself becoming a very large factor in this process of adjustment as between the price level of agricultural products, of which we have a surplus, and the price level of the market generally.

Mr. WELLS. I think the tariff is a very important factor in it.

Mr. KETCHAM. Can you picture any situation, by an arrangement or adjustment of the tariff, such as is now proposed, that would have a beneficial effect on agricultural products that in a very large degree would remedy the situation or that at least it would not be nearly so acute as it is at the present time?

Mr. WELLS. I think that might be the outcome of a tariff adjustment, but it would not be instantaneous.

Mr. KETCHAM. Some questions have been asked here as to how long it would require to put through a program of adjusting agriculture and how long it would be before it would have an appreciable effect on the agricultural situation. Have you given that subject any thought? Of course, the effect would not be immediate, but what is your thought about that?

Mr. WELLS. I believe that the creation of a suitable farm board will do more toward improving the morale of the producers of this country than anything that could be done. The shipper has been able to go to the Interstate Commerce Commission, the business man who thinks he is subjected to unfair competition can go to the Federal Trade Commission, and other agencies have been set up which have been of assistance to the business and commercial interests of the country. You might say that the Department of Agriculture is working for the benefit of the farmer, or could work for the benefit of the farmer. It can, of course, but it is largely on the production side. When it comes to marketing, their organization can explain the theory, but so far as practical operations are concerned, they are not in a position to assist the farmer. I think that the moment the farmers of the country realize that they have a board composed of men who are sympathetically inclined toward them, to whom they can present their problems and state their views as to what can be done, from whom they can receive advice and financial assistance, I believe it will help the cooperative organization movement throughout this country tremendously.

Mr. KETCHAM. And in that you believe we will find the key to the situation?

Mr. WELLS. Yes. I think that it is only through the cooperatives that we can balance agricultural production with the market requirements.

Mr. KETCHAM. Of course, this is a purely hypothetical question, but if a combination of tariff adjustment and effect upon the morale of the farmers could be accomplished by the set-up of this board, or by taking those two things together, do you think that would possibly relieve us from the necessity of providing special so-called lines of subsidy legislation?

Mr. WELLS. I believe it will; if the producer will assume his share of the responsibility.

Mr. KETCHAM. So far as the Government is concerned do you think there should be need, if proper machinery is set up for effecting the purpose, to do anything more, or do you think that the Government should really go out and take the farmers by the scruff of the neck and compel them to have this assistance?

Mr. WELLS. I think that policy would do more harm than good.

Mr. KETCHAM. That is, to the people that you hope to assist?

Mr. WELLS. Yes, sir.

Mr. FULMER. Mr. Wells, I believe I understood you to say in your opening remarks that it was your belief that it would be hard for Congress to pass any legislation that would help make the agricultural interests prosperous in this country; or, in other words, that it would depend largely upon the agricultural interests organizing and using better methods, employing improved machinery, and so forth.

Mr. WELLS. Yes, sir; and I think I said that by affording sympathetic leadership and impressing upon the agricultural interests the fact that they can only achieve success through cooperative organization and the utilization of information which has been made available by the research departments of the Government and of the States, they could be assisted. I said that that was the only hope for success.

Mr. FULMER. You mentioned the success of other organizations; that was brought about largely because they were able to organize and did organize completely. For instance, there was 100 per cent organization.

Mr. WELLS. Yes.

Mr. FULMER. From your experience with the agricultural interests of the country, do you believe the time will ever come when the farmers can organize within themselves?

Mr. WELLS. I am very hopeful that they can.

Mr. FULMER. In the event that this will be impossible, as I believe it will be, would you have the Government set up some machinery or provide some scheme whereby the Government would do for the farmers that which they should do for themselves, but which they are unable to do because of the fact that they can not organize themselves?

Mr. WELLS. No; I would not, because in the long run that would do more harm to agriculture than good.

Mr. FULMER. We had a statement the other day by Mr. Conn, of California, representing one of the best associations in the country to-day, and he stated that with all the inducements and encouragement, and with the profits that had been made, they had been unable to get more than 75 per cent of the product through their machinery. He said that the 25 per cent of the production remaining on the outside had just about paralyzed their business, or would do so unless something could be done to force the people remaining on the outside to come in. Unless that were done he said it would be useless for them to continue their operations along that line.

Mr. WELLS. I know Mr. Conn's situation, and it is an extremely difficult one. He is handling a problem which involves overproduction to an extent that is ruinous. The overproduction is so large that the growers of grapes are leaving a portion of their crop on the vines and allowing it to rot—10 per cent of the crop. That pertains to raisin grapes and other varieties, and the growers of apricots have agreed not to pick any fruit below a certain size. Now, that is economically unsound. The destruction of some part of the food production is unsound, in order to attempt to raise the value of the remainder of the production.

Mr. FULMER. You said you believed that there should be some provision whereby the tariff on wheat, for instance, should be applied so that the farmer would get some benefit from it.

Mr. WELLS. I think the farmer does to a certain extent get a benefit from the tariff on wheat. Certainly the farmers of the Northwest do, where we raise hard spring wheat, which comes directly into competition with Canadian wheat.

Mr. FULMER. Practically everybody growing wheat appearing before this committee has said that, except in very rare instances, they do not get the benefit of the tariff. I wonder how you would be able to bring that about through stabilization corporations. It is my understanding that about all you could do with a stabilization corporation would be to bring about a kind of average price, based on world prices. Would you be able to do anything more than that through a stabilization corporation?

Mr. WELLS. Yes; I think that the influence of a stabilization corporation would have an effect in stimulating buying in the market. In fact, I would go so far as to say that the psychological effect of a stabilization corporation is its most valuable effect. The effect of it would be to discourage short selling, if it were in operation. If it were known that some agency financed by Government funds would step into the market, if the prices were being unduly depressed, the day the excessive short seller would be over.

Mr. FULMER. About what percentage of the value of the commodity placed with the stabilization corporation do you think should be paid to the farmer or producer?

Mr. WELLS. The stabilization corporation would buy at the market price and pay in full.

Mr. FULMER. For the purpose of holding it and stabilizing the market?

Mr. WELLS. Yes; it would mean a more orderly distribution.

Mr. FULMER. Do you believe there should be something in this bill, or some provision to render some assistance in the way of loans, to help those organizations establish clearing houses, terminal markets, facilities for processing, and so forth.

Mr. WELLS. My idea is that the development of any such plan as this should start at the initial point, with the delivery of the commodity, and should work up. If you attempt to superimpose another organization to provide terminals, and so forth, the chances of succese would be limited.

Mr. HALL. Mr. Wells, I want to state at the outset that I am very much pleased with the statement you have given us this morning. I think it has been a valuable contribution to the testimony here, and I am glad to know that men who are interested in business like yours are taking such a decided interest in trying to help us with this great problem. Over in North Dakota, where I have lived all my life practically, we have been overpromoted in the setting up of farm organizations by promotion men who come in, and organize our farmers for fees or at so much per head. Then they go off to other fields leaving the little organizations to work it out for themselves. We have been overpromoted and we have been skinned and squeezed at every turn of the road. I take it you are not in favor of the Government furnishing money for organization purposes?

Mr. WELLS. No; I am not. I have seen too many instances where money was utilized to pay commissions to solicitors who simply went through the country promoting these organizations. If a man joined

the association, he paid a fee of $5, $2 of which went to the association and $3 to the solicitor. I think that is a wasteful and improper way of setting up associations.

Mr. HALL. Your discussion with Mr. Williams was along the line I expected to follow. Now, as to the extension of credit through intermediate credit banks for setting up facilities, you do not believe it is proper, businesslike, or profitable to have those farm organizations financed in such a way that they may go out and build new facilities, such as warehouses, elevators, and so forth, where warehouse, elevator, and other facilities sufficient to serve the needs of the neighborhood already exist?

Mr. WELLS. I think that should be specifically provided for. I think it should be specifically provided that no facilities are to be constructed where existing facilities are sufficient to serve the purpose. The duplication of facilities is one of the greatest curses you could have. I do not advocate that the intermediate credit banks should be more liberal in their loans to provide facilities, but I think that in the matter of loans on commodities, agricultural commodities, they might liberalize their policy somewhat and make their rates reasonable.

Mr. PURNELL. Before we recess, let me say that it is evident that we will not be able to finish to-day. Under the proposed arrangement we were to hear Mr. Teague and Mr. Corey to-morrow morning. There are three Members of Congress who have already indicated a desire to make 5-minute statements before the committee, and I am wondering if the committee would be willing to sit to-morrow afternoon so as to clean up all the odds and ends of the hearing, with a view to finally closing the hearings to-morrow night.

Mr. WILLIAMS. We have here from my State a representative of the fruit growers, and I want him to have five minutes to-morrow afternoon.

Mr. PURNELL. That will have to be done by unanimous consent. If we can agree to conclude the hearings to-morrow afternoon, then, at the conclusion of the statements by Mr. Teague and Mr. Corey, we could devote the time remaining to hearing a few Congressmen and other statements of 5-minute length.

Mr. FORT. It seems to me that it is very possible that the gentlemen we have listed for hearings will consume the balance of to-day.

Mr. PURNELL. Let me submit a unanimous-consent request, that, first, the hearings shall be concluded to-morrow afternoon at 5.30 o'clock, and that upon the conclusion of the statements of those who are already on our list we shall continue for the rest of the day hearing statements by Members of Congress and others here who may want to make statements of about five minutes.

Mr. LARSEN. Reserving the right to object, and I shall not object, let me say that there are Members of Congress who may wish to be heard. Of course, each Member of Congress represents a constituency of at least 250,000 people, under the present supposed apportionment. It so happens that there is only one Member from my own State who desires to be heard, but I am very anxious to accord to every gentleman, not only from my own State but from any other State, who represents a constituency the right to be heard.

I hope there will be no objection to Mr. Purnell's request.

The CHAIRMAN. Is there any objection? There is no objection, and it is so ordered.

(Thereupon, at 12.45 o'clock p. m., the committee took a recess until 1.30 o'clock p. m.)

AFTER RECESS

The committee reassembled at 1.30 o'clock p. m., at the expiration of the recess.

Mr. LARSEN. Mr. Wells, I was very favorably impressed with your statement, and especially that portion of it, which I want to discuss with you, regarding the Secretary as a member of the farm board. I am rather inclined to agree with you, but at the same time I am wondering why the same rule has not been followed with reference to other boards and commissions. For instance, the Radio Commission is under the Department of Commerce, but the Secretary of Commerce is not a member of the board, ex officio, or otherwise. The Interstate Commerce Commission and the Federal Trade Commission are handling subjects which might properly come under the Department of Commerce, and the Secretary of Commerce is not a member of those commissions. Nevertheless, I think that your suggestion with reference to the Secretary of Agriculture being a member of the board is very good. I am wondering if the Secretary has been left out in these other instances simply because it was decided that he had so many other duties that it would be impracticable for him to attend meetings of the commission and therefore impracticable for him to become a member. If so it might be the same in this case. Had you taken that into consideration?

Mr. WELLS. Yes; but it seems to me the situation is somewhat different in this instance, because we are considering one concrete problem—agriculture—and production, distribution, and merchandizing are inseparably bound together. So it seems to me that the contact between the department and the farm board must be as close as possible.

Mr. LARSEN. I think one of the bills that were introduced some years ago, and probably passed the House—I do not know—provided that the Secretary of Agriculture should be chairman of the board. What do you think of that feature?

Mr. WELLS. I do not think that that would be a desirable arrangement.

Mr. LARSEN. It would be hardly advisable, would it?

Mr. WELLS. The chairman of the board would have to devote his entire time to the operations of the farm board, and his qualifications would be quite different from those which might be available in the Secretary of Agriculture.

Mr. LARSEN. I agree with you on that. I just wanted your idea on it.

You spoke of the salary. During the war we were able to get some pretty efficient men here and work for a dollar a year; showing that there are men who like to work with the Government and are willing to be put in responsible positions and to perform efficient service regardless of salary. Do you not think that we could probably get men to serve in this capacity for the same salary that other members of commissions are getting?

Mr. WELLS. I think it is possible; but I think that authority should be given in the bill to pay sufficiently large salaries to attract ability; because there are men who, while they have a real desire for public service, could not afford to make a great sacrifice to take such a position.

Mr. LARSEN. You would not have to give them salaries larger than those paid to the members of the Cabinet.

Mr. WELLS. No.

Mr. LARSEN. Would you give them $12,000?

Mr. WELLS. I think that would be adequate for the members of the board.

Mr. LARSEN. You spoke of advancing funds to the stabilization corporation and of empowering the corporation, as I understood, to enter the market and buy up surplus products. Would you advance money from the Government Treasury to permit this corporation to go into the field and buy up products produced by the farmers below the cost of production, or would you, when the article reached the cost of production, enter the field so as to keep the farmer from a loss? You can see that in a case of that kind it would be pretty bad on the farmer to produce something even at cost, and to lose all profit. Now, the policy that I have in mind is this: It is perhaps hardly fair to the taxpayer, and especially to the depressed man—because he is the one that sells under those conditions—to use Government funds, which he has helped accumulate, to buy up his property, on the world market, we will say, and below the cost of production. Would it not be best to give him his cost of production? When we enter the market field to say that we are going to set a price which is not below the cost of production, and start buying at a price equal to cost of production?

Mr. WELLS. From my personal experience there is no such animal as cost of production.

Mr. LARSEN. Well, an average cost of production, of course.

Mr. WELLS. An average cost of production is almost an impossibility at which to arrive. We have farmers in Montana who carry on machine-farming who can produce grain at a profit at 10 cents a bushel below their neighbors who farm in an old-fashioned sort of way, with primitive equipment. It is almost impossible to say what is the cost of production.

Mr. LARSEN. But they all enter into the equation of the average, do they not?

Mr. WELLS. But there has never been a real average produced, as far as I know.

Mr. LARSEN. This whole machinery contemplates that the board shall ascertain the cost of world production and domestic production, does it not?

Mr. WELLS. I have not presumed to go that far. I do not think I have mentioned cost of production here.

Mr. LARSEN. I mean in the administration of the bill to be enacted. Will not the board have to ascertain the cost of production in foreign countries and the cost of production in the domestic field in order to operate successfully as a farm board? Otherwise, you would never know when they should enter and buy up the products.

Mr. WELLS. I think in a general way, Mr. Larsen, that you can know. You would know, for instance, perhaps, that at $1.10 in

Chicago there was no possible profit to the average farmer in raising wheat, and that would be a proper point, perhaps, at which the stabilization corporation would step into the market. Without knowing exactly the average cost of production, you could reach a conclusion as to a price below which wheat raising would not be profitable, and at that point it is possible that the decline should be stopped.

Mr. LARSEN. That is all.

Mr. FORT. Mr. Wells, in reference to what Mr. Larsen was just saying, the Tariff Commission is the body of the Government that to-day is supposed to find the costs of production at home and abroad. You see no special reason to duplicate that machinery, do you?

Mr. WELLS. No, sir.

Mr. FORT. In further reference to Mr. Larsen's other questions, as to the unfairness of a stabilization corporation purchasing at a low price from the farmer——

Mr. LARSEN (interposing). I did not say it was not fair. I simply asked him, assuming the conditions might exist.

Mr. FORT. The purpose of the stabilization corporation, as you understand it, if achieved, would still be to get him a higher price than he would have gotten if it had not been for the stabilization corporation; is not that true?

Mr. WELLS. Absolutely.

Mr. FORT. So that instead of working any hardship, it would work him a benefit, although not perhaps as great a benefit as though he were not a depressed seller?

Mr. WELLS. Yes, sir.

Mr. FORT. You have said that the stabilization corporation would be—I do not mean that these are your exact words, but the implication—an emergency or intermittent organization. You have also said that the greatest probable value of it was psychology. By that I assume you mean scaring the bear from pressing his advantage too greatly?

Mr. WELLS. And also preventing the farmer from selling on a rapidly declining market.

Mr. FORT. Yes. Now, would not both of those purposes be more easily achieved if the stabilization corporation were a permanently organized institution, but operating only in emergencies?

Mr. WELLS. Absolutely.

Mr. FORT. So that the threat to the bear, and the consciousness of its existence to the farmer, would always be present, without anybody knowing at what moment it would enter into the market?

Mr. WELLS. Absolutely.

Mr. FORT. And it would to that extent relieve the situation which has changed the board of trade markets by putting out the so-called speculative investor type?

Mr. WELLS. Yes.

Mr. FORT. And those speculative investors have been the men who in the past, as a rule, have been far and away the most successful financially of all grain traders, have they not?

Mr. WELLS. I think so.

Mr. FORT. So that the burden of probability would be that a satisfactorily managed corporation operating in that way would have at least an even chance of making money?

Mr. WELLS. With expert management and under fairly normal conditions.

Mr. FORT. It would have some years of loss?

Mr. WELLS. Yes; but I mean over a period of years.

Mr. FORT. The speculative investor is the man who in all markets, I think, makes the money, and the trader loses usually.

You have given this whole subject of stabilization corporations, I know from personal talks with you, very serious consideration for several years. Your interest in it has been also due, has it not, to your general study of the cooperative-marketing situation?

Mr. WELLS. Yes, sir.

Mr. FORT. You have gone to the trouble, as a grain man, of making a really intensive study of cooperative marketing, have you not?

Mr. WELLS. I have for the past eight years.

Mr. FORT. And have visited various of the cooperatives and gone through their operations and studied their management and their credits?

Mr. WELLS. Until the last two years I have been through the California cooperatives for a period of six years. The last two years I have not visited them. Prior to that I visited them for six years.

Mr. FORT. And your interest was both to find out whether they were going to become substantial factors in the industry and to find out whether their methods were sound?

Mr. WELLS. Yes, sir.

Mr. FORT. What is your conclusion on both of those points, Mr. Wells?

Mr. WELLS. I think that a properly organized, properly managed cooperative, in which the management and the membership are not laboring under the impression that cooperative marketing is a religion, but that it is a method of doing business and must be treated as any other business proposition—I think that cooperatives of that type are sound and are very beneficial.

Mr. FORT. And your recollection to that effect has been reached, although you can see possibilities that their further development may hamper the old line of grain trade that you have been in; is that true?

Mr. WELLS. I believe in evolution, and if it is a better form of marketing, and is in the interest of the producers, I think eventually it will supplant the present system of marketing.

Mr. FORT. From your study of the question what is your opinion as to the development of real marketing leadership among the managers of these cooperative associations?

Mr. WELLS. Unfortunately, I think there has been a lack of sound leaders. We have a few outstanding men. But, generally speaking, the failure of cooperatives has been because they promised the impossible, and their leadership was not experienced or sound on the business end of the operation.

Mr. FORT. What would you suggest that we could do, if anything, to help that situation?

Mr. WELLS. I have attempted to suggest that in the advisory councils two men be seated who have broad practical experience in the

merchandising or processing of the commodity considered by the council.

Mr. FORT. Would you also suggest that we assist in a program of education in cooperative marketing; I mean in the colleges, and so forth?

Mr. WELLS. That is being carried on very widely now.

Mr. FORT. Not as widely, from the testimony here, as we might wish, apparently.

Mr. WELLS. Again, in farm schools and agricultural colleges the men who are teaching cooperative marketing are men without practical experience. They are theorists; so that graduates of those schools have to go out into the field to get any practical experience, and to that extent they are handicapped; because, while they are gaining their practical education, their coperative is losing money, as a rule.

Mr. FORT. In reference to your suggestion about the commodity councils, some of us have been a little hesitant, as Mr. Williams, I think, said this morning, on the idea of making those people equivalent to Government officials by having them appointed by the board, calling them advisory councils, and things of that sort, and have rather been leaning toward the idea of having the industry select its representatives as a committee of the industry, feeling that if the board has the broad qualifications that you have outlined for its membership the trade committee ought to be specialists. Now, your thought would be, if we adopted that form instead of the advisory council form, that that trade committee ought to contain men representative of the different processes of the trade and not merely of the producing end?

Mr. WELLS. I think it would simplify the entire operation if that were the case.

Mr. FORT. Just as the Department of Commerce does with its standardization committee program?

Mr. WELLS. Yes.

Mr. FORT. That is all.

Mr. ADKINS. Mr. Wells, you spoke about the various agencies that have been supplanted and have gone out of business automatically by reason of the development of new and more efficient means of meeting the public needs along various lines. Now, in all that there never was any law passed that handicapped the old agencies in functioning, but the new automatically served the public better, and the others automatically went out of business. Now, if some other agency develops in the grain trade, or in marketing, there is not any power that will stop it from going on?

Mr. WELLS. Not at all.

Mr. ADKINS. But it would be a very great detriment to the farmer to handicap the present agency in functioning by legal restraint or otherwise?

Mr. WELLS. Yes; pending the development.

Mr. ADKINS. Another question: If it were possible, after this board gets to functioning, for your concern, which is reliable financially and knows the business, to fee the stabilization corporations, and if the board should propose making a loan to you to do that would you consider it a good business proposition—for instance, on the next wheat crop—which might be an estimated surplus of

200,000,000 bushels? Would you consider it a good business proposition to borrow the money and undertake the job?

Mr. WELLS. No, sir.

Mr. ADKINS. That is all.

Mr. MENGES. Mr. Wells, I think you are a representative of the grain dealers, are you not; the men who handle grain?

Mr. WELLS. Yes, sir. I am a handler of grain.

Mr. MENGES. I want to say, Mr. Wells, that you are the fairest-minded man I have heard for a long time.

Mr. WELLS. Thank you.

Mr. ANDRESEN. You will find them that way in Minnesota, Mr. Menges.

Mr. HOPE. Do you think, Mr. Wells, that in this legislation we ought to define a commodity or leave that power to the board to determine? What I have in mind is this: Would you give the board power to say that all grain was a commodity, or that wheat is a commodity, and corn is a separate commodity? Where do you think that power ought to be left; with the board or with the legislation?

Mr. WELLS. I think the powers given the board should be as broad as possible, and that it would be a mistake to include in the bill any reference to specific agricultural commodities; because, as I take it, your wish is to help agriculture as a whole, and it should be up to the board to study the problems involved in various commodities and to see that such steps were taken as would assist the producers of those commodities if they were in distress.

Mr. HOPE. Is it your opinion that individuals as well as cooperative-marketing organizations should be stockholders in stabilization corporations?

Mr. WELLS. Producers might; no one but producers or producers' organizations.

Mr. HOPE. You do not think that we ought to limit the stockholders to cooperative organizations?

Mr. WELLS. No; I think groups of producers might readily be stockholders.

Mr. HOPE. There has been some difference of opinion among those who have appeared before the committee on that point. I think that most, if not all, of the men representing cooperative organizations have taken the position that only those organizations should be allowed to become stockholders in the stabilization corporations. Their idea was that otherwise there would be no incentive for producers to join cooperative organizations.

Mr. WELLS. As a matter of fact, I question whether you would ever find a producer joining a stabilization corporation. His cooperative would be the one that would naturally represent him.

Mr. HOPE. You do not think that is likely to be a matter of any serious import?

Mr. WELLS. I think it would have no bearing at all.

Mr. HOPE. In the beginning of your remarks you briefly touched on the matter of what we might call the industrialization of agriculture; the process that is going on to a certain extent now, and which you compared with the development of our factory system. Have you given some little thought to that matter?

Mr. WELLS. I have read a good deal about that subject, and I have talked with a good many machine farmers. Personally I am convinced that that development is inevitable. That does not apply to the farmers as a whole, but to farmers who are raising small grains for market; not for feeding but for marketing as grain.

Mr. HOPE. Do you think that it will be helpful to agriculture as a whole for that development to take place?

Mr. WELLS. Whether it is helpful or not, I think it is inevitable. There are a great many people who long for the days when we had the village blacksmith, the harness maker, and so forth; but no matter how much that might be desirable, it can not be attained. It can not return.

Mr. HOPE. I live in a section of the country where there is considerable of that development going on, and it appears to me that you are correct in your conclusion that it is inevitable. I just wanted to get your view.

Mr. WELLS. There is no other way to reduce production costs, as far as I know.

Mr. HOPE. That, of course, in a sense, is desirable?

Mr. WELLS. Yes.

Mr. HOPE. It is what all good farmers are striving to do. I believe that is all, Mr. Chairman.

Mr. BRIGHAM. Mr. Wells, as I understand it, you believe that the board should confine its operations largely to marketing?

Mr. WELLS. Very largely.

Mr. BRIGHAM. Is it not true that the industries that are well organized, in great corporations, try to control price by control of productive capacity?

Mr. WELLS. I think that is impossible in the case of agriculture.

Mr. BRIGHAM. Do you not think some attempt should be made to do it?

Mr. WELLS. I think that is the function of the cooperative. If it is ever made possible, it will be through cooperative organizations and their influence upon their members.

Mr. BRIGHAM. Do you not believe that the board could give some valuable advice that would assist the cooperatives in doing that?

Mr. WELLS. Absolutely. I believe that the board should maintain what we may call a research laboratory, just as the General Electric does, and General Motors, and they should be seeking constantly the causes for existing troubles and the remedies.

Mr. BRIGHAM. In 1921 the steel industry, for instance, suffered from a great depression, and their remedy was to curtail production, to utilize about 42 per cent of their productive capacity; and they have never utilized 100 per cent to this day, with the result that they brought prosperity back to their industry.

Mr. WELLS. Yes.

Mr. BRIGHAM. If something like that could be done for agriculture, woul dit not be a benefit?

Mr. WELLS. It would be a benefit, but it is not a parallel case. Here you are dealing with 6,000,000 productive units against a hundred or two producers of steel.

Mr. BRIGHAM. But is it not a question as to whether it is possible to remove the economic penalty for overproduction from any industry without having it suffer?

Mr. WELLS. Yes.

Mr. BRIGHAM. That is all.

Mr. HOUSTON. Mr. Wells, should this board that we all speak of be set up as an independent board, or is it your idea that it should be a part of the Department of Agriculture?

Mr. WELLS. I think it should be absolutely independent.

Mr. HOUSTON. Absolutely independent; and therefore the tie-up as between the board and the department would be through the ex officio member, the Secretary of Agriculture?

Mr. WELLS. Exactly.

The CHAIRMAN. I infer from your statement that cooperative marketing would solve the problem.

Mr. WELLS. I think that cooperative marketing and the organization of farmers and the utilization of the information which is now available is the only path which agriculture can follow and meet with success.

The CHAIRMAN. What legislation would be required to make it a success?

Mr. WELLS. Nothing as regards the cooperative marketing laws, as far as I know them. The sympathetic assistance and the skill of the farm board would be a tremendous incentive to build up cooperative organizations. For the first time you would have a source of help, both in advice and experience and finance, which has never been extended to the farmer before.

The CHAIRMAN. The testimony before us is that the cooperatives have been unable to accomplish the desired result.

Mr. WELLS. That they have been unable?

The CHAIRMAN. Yes.

Mr. WELLS. They never have had a farm board to which they could come with their problems and from whom they could get assistance, both financial and otherwise.

The CHAIRMAN. They have had the Department of Agriculture. You recall that two years ago we passed a law, at the suggestion of a committee appointed to recommend legislation to solve this problem. The legislation was enacted, as suggested by the commission, funds and educational features of it were provided, and so forth. Now they come back and say that it is of no avail. It seems to me it would require some additional legislation in order to make it effective. I understood you to say that it was due to inefficiency.

Mr. WELLS. I think that the Department of Agriculture is primarily interested, or should be, in the problems of production, the eradication of plant diseases, the improvement of seed, and that sort of thing. They have their Bureau of Agricultural Economics. They have men who write at length upon cooperative marketing. They have all of that. But those men are not practical men. They are not practical business men. They are economists.

The CHAIRMAN. Now, the question is, where are we going to get the practical men? Where will we get the capable men; the experienced men?

Mr. WELLS. That is up to the President, if he is going to appoint them.

The CHAIRMAN. No; I mean for the management of the cooperatives.

Mr. WELLS. I will tell you what I think would naturally happen in the course of time, as this thing develops. Men who are at present managing independent, privately owned companies would be cooperative leaders.

The CHAIRMAN. Well, they have been in the past, have they not?

Mr. WELLS. You have one instance right in this room; Mr. Stone, of Kentucky.

The CHAIRMAN. Undoubtedly there are a number of them; but it would require quite a good many throughout the country.

Mr. WELLS. That is your source of supply for men of experience.

The CHAIRMAN. You are familiar with the organization of the so-called Committee of 17 that was going to solve the problem, and I understand that it spent about five or six hundred thousand dollars with little success.

Mr. WELLS. I know nothing about the Committee of 17, except that, so far as I recollect, in its membership there were no men of broad business experience in the handling of agricultural commodities.

The CHAIRMAN. That may be. But the question I had in mind was, where could they get the efficient men?

Mr. WELLS. You can get them from existing private organizations, and that is where they should come from.

The CHAIRMAN. You would eliminate farmers?

Mr. WELLS. No, no; but the farmer without business training, or the farmer who has run a country elevator can not be expected to step in the gap and head a big cooperative that is going to handle 25,000,000 or 50,000,000 bushels of grain, where he had previously handled a hundred thousand bushels. It will be a question of development; and I have no fear but that in course of time business genius will be developed among the farmers just exactly as it has among the urbanites.

The CHAIRMAN. The fact is that a number of them have employed experienced and successful men such as you suggest.

Mr. WELLS. Yes, sir; practically all of the successful ones that I know of, that operate on a large scale.

The CHAIRMAN. Have they been successful?

Mr. WELLS. In many instances.

The CHAIRMAN. They are among the ones who acknowledge that they have been unable to make cooperative marketing a success.

Mr. WELLS. Not so far as I know.

The CHAIRMAN. I think the dealers in livestock have secured the services of competent men.

Mr. WELLS. I know nothing of their organization.

The CHAIRMAN. You have them in south St. Paul and you have them in Chicago.

Mr. WELLS. I know nothing about the livestock organizations, Mr. Haugen.

The CHAIRMAN. They have cooperatives.

Mr. WELLS. I know they have cooperative organizations; yes.

Mr. ANDRESEN. Mr. Chairman, I wish to make an announcement and propound an inquiry. Mr. McPhail, the president of the Canadian wheat pool, has testified to-day before the Senate committee. He has indicated that he would like to appear before our committee.

I know we have a large number of witnesses to hear to-day and to-morrow, and I just wish to submit this announcement and to ascertain if the committee wants to hold a night session, or to put Mr. McPhail on the stand to-morrow afternoon.

Mr. PURNELL. I would suggest this. Of course, we have already agreed to conclude the hearings to-morrow evening. If we have any kind of luck in finishing with the witnesses who are already on the schedule, we ought to conclude the list we have with the exception of three Members of Congress by 12.30 to-morrow afternoon. If we do not, some of these witnesses we expect to hear will go over until to-morrow afternoon. There ought to be plenty of time between 12.30 to-morrow afternoon and 5.30 to-morrow night to get this gentleman in. I would be in favor of giving him some time before the committee whenever we have it to give.

There are three Members of Congress who want to appear to-morrow afternoon for five minutes each and make their statements without cross-examination. That will require 15 minutes. Certainly during the rest of the afternoon we will have time to hear Mr. McPhail.

Mr. LARSEN. Will he be available then?

Mr. ANDRESEN. Yes.

Mr. PURNELL. I suggest that we have him here to-morrow afternoon with the understanding that we will give him some time before 5.30, or that we will hear him before we close.

Mr. ADKINS. Mr. Chairman, we have been running along with these hearings since the 27th of March and it looks like we will come to a period by to-morrow night. The next big job is to write the bill, which will require some days. The committee ought to have the bill ready when Congress convenes. So I move that there be named a committee of five members, of which Mr. Haugen shall be the chairman, including the two ranking Republican members, Mr. Purnell and Mr. Williams, and the two ranking Democratic members, Mr. Aswell and Mr. Kincheloe, to draft this bill and present it to the full committee at the earliest possible date.

(The motion was seconded and agreed to.)